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UNIVERSITY of OULU

# **Regulation, regulative legitimacy and legitimation of ride-sourcing platforms in Finland**

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## Abstract

Since their inception ride-sourcing companies have disrupted the traditional taxi markets with their digital platforms and match-making algorithms. However in the previous hundred years the incumbent taxi companies had become protected by national legislation which aimed to maintain public order and safety. Despite the well-developed regulation on taxi market the legislation has not been clear whether ride-sourcing is legal or not. This is what the new players such as Uber have been exploiting with their aggressive expansion strategies when trying to win the race on network effects.

This thesis studies the regulative landscape of ride-sourcing phenomenon in Finland and the three law making processes in 2015–2020. It summarizes how the regulation changed from the ride-sourcing platform point of view and uncovers the legitimization strategies Uber used when establishing a subsidiary in Finland already before the first reform of the law on transportation in 2018. It matches the strategies to the ones previously identified in the literature and gives insight how disrupting technology company has tried to affect the law makers in order to create a legislation which would ultimately grant ride-sourcing regulative legitimacy.

The results of the study tell the story of how the closed taxi market in Finland has opened up to welcome ride-sourcing platforms after a few missteps. Second it demonstrates how the IT legitimacy taxonomy by Kaganer et al. (2010) can be used to understand the legitimization strategies of a private organization during a law making process in the hopes of establishing regulative legitimacy in the future. Finally it reveals that while the regulation has changed to more favourable for ride-sourcing, the battle is far from over and new disputes are looming around the corner.

### *Keywords*

sharing economy, ride-sourcing, digital platform, legitimacy, legitimization strategy

### *Supervisor*

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## Foreword

The topic of this study was suggested by my thesis supervisor PhD and Adjunct Professor Karin Väyrynen and inspired by her earlier research on Finnish taximeter legislation. I hope my work was as low maintenance as I promised in the beginning and supports her ongoing research on Finnish taxi market and legislation. I want to thank her for the exceptional guidance during this project.

Thank you Tiina for the loving peer support, relentless encouragement and trust. You pushed me to finally finish my Master's thesis. Mom and dad, thanks for not giving up hope!

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# 1. Introduction

Taxi services or more specifically known as hire a car with driver services have been highly regulated almost right from their inception in early 1920s (Frankena & Pautler, 1984). The regulation was introduced to maintain social welfare and public safety to a wild-west like market but also led to a closed market where entry licenses were scarce, prices flat and profit was steady for the incumbent players (Dempsey, 1996). In most countries this status quo had been present for decades before the advent of Internet, smartphone and GPS at the beginning of new millennium. For a while nothing seemed to change: people still hailed taxi from the street or called to dispatch center for a ride and then waited for the car for an unknown amount of time as they had used to. You could not rate your service and because of the closed market, could not really choose or even change the provider either.

Then new players started to innovate hire a care with driver services that combined the technological breakthroughs of the last few decades (Wilson & Mason, 2020). You could order the ride from your phone with a few taps, track the location and the estimated arrival time of the car and finally pay with the same application at the destination without the need for physical cash or credit card. Aside from the convenient order and payment user experience, the innovators also introduced trust by adding the possibility to rate the level of received service and made the ratings public for everyone (Tyndall, 2013). All this could be done relatively cheap thanks to the development of cloud services (Arutyunov, 2012).

However the new contestants had to overcome a couple of major hurdles: regulation and incumbents (Frazzani, Grea & Zamboni, 2016). Only licensed companies could offer taxi services and in order to comply, the company had to first acquire an existing taxi license and then fulfil a number of clauses in the regulation. The incumbents were of course not too happy about the new technology since it would introduce a competitive disadvantage for them and possibly require new investments that would eat the steady profit. These hurdles made the costs of entering the market usually too high and would eat the financial benefits of the technological advancements (Thelen, 2018).

The new business model did not require new players to own cars or hire drivers in the same sense as the incumbents (De Stefani & Aloisi, 2018). This gave an opportunity to present themselves as technology companies who were not offering taxi services but a two-sided marketplace where sellers (ride service providers) and buyers could meet. Clearly they were not subject to the taxi regulation since it only applied to companies offering taxi services and they were not one (Frenken, 2017). Or at the very least the regulation should change.

From an investor point of view this offered a lucrative opportunity: what if one platform could establish market leadership with the help of network effects and the regulation would eventually have to change? This has led to the current state where major ride-sourcing platforms such as Uber are raising absurd amount of capital in order to make high risk bets by pouring money into marketing and lobbying law-makers in order to gain regulative legitimacy and final approval for their business.

The plan is simple. Enter into new areas despite the regulative situation. Trust that the service's reputation and user experience will become accepted by the public and then pressure law-makers to make the required adjustments to the legislation (Frenken, 2017). The political decision makers cannot easily turn a blind eye on these attempts because the public's opinion if they want to stay in the office. This has proven to be an effective go-to-market strategy so far.

To answer the market pressure the regulative landscape on taxi market has been hastily adjusted by either deregulating existing laws or creating entirely new category of law in order to allow the ride-sourcing businesses to operate. In many occasions the rushed nature of the legalization has created a new set of problems for example in consumer safety, worker rights and unfair competition. Recently the academic studies have produced results about how the deregulation attempts of enabling ride-sourcing platforms has affected to taxi market and society in general (Flores & Rayle, 2017; Tzur, 2019). However the actual legitimation process has not received the same attention. This study aims to fill the gap in that area by looking into three different law making processes in Finland between 2015 and 2020 and to answer the following questions:

*How the ride-sourcing platforms are regulated in Finland and what kind of legitimacy strategies they use to gain regulative legitimacy?*

The structure of the thesis is as follows. First, I build the theoretical foundation by conducting a literature review. The aim of the literature review is to understand how the sharing and especially ride-sourcing economy has been described in the current literature and how the economy has evolved to date. In addition, I review research on legitimacy as a lens through which I can study the hurdles of ride-sourcing industry more carefully and the strategies the companies use to overcome those hurdles. Next, I present the research methodology, followed by the findings of the thesis. In the findings, I will present the results of the research in two parts: first the regulative landscape in Finland from ride-sourcing platform point of view and the different strategies Uber used during three different law processes. Finally I discuss the findings against the previous literature and conclude the thesis.

## 2. Literature review

This thesis focuses on ride-sourcing economy through the lens of regulative legitimacy. To understand the landscape and scope, the research starts by describing the sharing economy phenomena in general and defining the key terms to help the reader in the midst of the diverse terminology. I then delineate how the sharing economy works in hire a car with driver segment and what kind of regulative pressures it faces. Finally I move to the concept of legitimacy and what does it mean in building new businesses. I then select the regulative legitimacy of the four identified categories in the literature and use it as a lens to study the clash of the ride-sourcing platforms and incumbent taxi companies. Finally I clarify the present situation by outlining the regulation of the traditional taxi industry in order to understand how significant effect it has had to the current regulatory landscape regarding ride-sourcing platforms.

### 2.1 Sharing economy

Sharing economy, also known as collaborative, on-demand or gig economy, has become an accepted term for *“economic activity that involves individuals buying or selling usually temporary access to goods or services especially as arranged through an online company or organization”* (Merriam-Webster, 2020). It encompasses multiple sectors and has become more and more popular globally in recent years (Dervojeda, Verzijl, Lengton, Rouwmaat, Monfardini & Frideres, 2015). In addition for being spread in many businesses, sharing economy has variety of definitions. Case study by European Commission (Dervojeda et al., 2015, p. 3) defined it as *“companies that deploy accessibility based business models for peer-to-peer markets and its user communities”*. On the other hand Frenken et al. (2015) defined it as *“consumers granting each other temporary access to under-utilized physical assets ‘idle capacity’, possibly for money”*. Later studies have distinguished sharing economy from second-hand economy where permanent access is given to the asset instead of a temporary one (Frenken & Schor, 2017). These examples indicate definition of sharing economy differ whether it is looked from business or consumer point of view.

Because of the multi-faceted nature of sharing economy, a number of studies have been made in an attempt to find coherent definition for the phenomenon (Frenken & Schor, 2017). Oh & Moon (2016) tracked the history of the sharing economy concept through practitioners and suggested a framework that could be used to identify businesses based on four criteria: social relationship-based open accessibility, trust, value creation and peer to peer transactions. However they did not offer a new definition as such. Another study (Pachenkov & Yashina, 2017) focused on the new characteristics of sharing economy and defined them as “p2p sharing & ICT based economy”. They conclude that the ICT development and changes in social and cultural patterns has made it possible for new relations to emerge between existing economies and around different axes such as profit, trust and security, ethics, control and power, ethics and production/consumption. But they too did not offer any new definition to the sharing economy phenomenon.

The systematic literature review by Schlagwein, Schoder & Spindeldreher (2019) supports the interpretation about divided understanding on the definition due to the differing perspectives. They identified four categories from the existing definitions of sharing economy. While actors represent the users or peers in the economy who can act

both as buyers and as service providers, there also exists an important intermediary, a commercial or non-commercial organization or individual who acts as a facilitator. The second category is the process of sharing between the peers. The consensus was that in the sharing economy the ownership of the resource or asset does not change as the result of the sales transaction. In the third category the authors evaluated the transacted resource. Generally it was found that the resource can be physical goods or services and their capacity is somehow underutilized. The last identified category was infrastructure which was seen as the key part of sharing economy and main reason to its recent growth thanks to the development of the Internet and other IT infrastructure services. Based on the above categorization Schlagwein et al. (2019, p. 13) were able to offer the first consolidated definition for the sharing economy: *“the sharing economy is an IT-facilitated peer-to-peer model for commercial or non-commercial sharing of under-utilized goods or service capacity through an intermediary without transfer of ownership”*. This thesis focuses on the intermediaries who provide technology that enables sharing a resource temporarily with a person or company in the need of it.

Generally the sharing economy is seen to create value in five ways. First it gives an opportunity to put underutilized assets into productive use. Second it connects multiple buyers and sellers making both sides of the market more competitive and enables greater specialization for the sellers. Third it decreases transaction costs in terms of finding buyers or sellers and performance monitoring. Fourth it minimizes the asymmetric information problem between buyers and sellers by offering public reviews. Lastly it creates value for customers who have become neglected by the incumbents due to the position in the regulatory framework. (Koopman, Mitchell & Thierer, 2015)

### 2.1.1 Two-sided platforms

As shown previously, today's sharing economy requires intermediaries to facilitate the transactions between peers. These intermediaries are also known as two-sided marketplaces, platforms or networks. Companies such as Uber and Airbnb provide digital platforms that use computer algorithms to match service providers and buyers (Sühr, Biega, Zehlike, Gummadi & Chakraborty, 2019) and take a commission for the matchmaking (Uber, 2020b; Lyft, 2020b). These digital platforms are also known as two-sided marketplaces pairing two user groups by providing them both infrastructure and rules for transacting products and services (Eisenmann, Parker & Val Alstyne, 2006)

In their recent paper Sutherland & Jarrahi (2018) reviewed the research on sharing economy from the technology platform point of view. Their analysis revealed six affordances that are distinctive for sharing economy platforms. They 1) make it easier for the user to choose when and how to participate, 2) match users and providers based on their needs, 3) extend the reach of the participants by giving access to bigger or previously idle resources, 4) take care of the transactions so the users do not have to worry about them, 5) build trust among the users through e.g. reputation systems and policies and 6) facilitate collectivity by encouraging social activity. However the authors note that the extent of how each of these affordances display vary based on the platform and may even be accomplished through multiple interoperable platforms.

The literature has also recognized the platforms inherent centralizing force gives them significant power over both the buyers and sellers (Ballon & Van Heesvelde, 2011; Sutherland & Jarrahi, 2018; Nowag, 2018). The level of centralization was also linked to the six affordances of sharing economy platforms by Sutherland & Jarrahi (2018). Because of the nature of platform business the companies tend to expand rapidly in the



hopes of gaining significant market leadership or even monopoly in order to reap the benefits of network effects (Bakos & Katsamakas, 2008; Eisenmann et al., 2006). Two-sided platforms make no difference in this regard.

Network effects or network externalities is an economic effect where a consumer buying a product or service directly benefits from the number of other consumers owning or using the same product or service (Farrell & Saloner, 1985; Katz & Shapiro, 1985). As an example the more users Facebook or Whatsapp has, the more beneficial it is for new users to register or the more drivers Uber has, the easier it is for a customer to find a ride when needed. The same effect also applies the other way around: the more users a network or marketplace has the more incentive an advertiser or a seller of a service or product has to join it.

Compared to traditional industries like car manufacturing, the network effects have distinctive characteristic among Internet companies: customer loyalty (Porter, 2001). The author argued that due to the growing interoperability and lower switching costs, it is easier for customers to change the product or service that better meet their needs. However in order to bootstrap a new service, a two-sided platform has a chicken or the egg problem: in order to get sellers to the platform you need to have users and vice versa. This has led to revenue and market maximization instead of focusing on profits or a good business strategy in general. By religiously chasing new customers the companies use significant portions of their operating budget to advertising, partnerships and outsourcing without gaining significant competitive advantage. While Porter gave this warning already in the beginning of the millennia, the same strategies are still used in sharing economy companies like Uber and Airbnb 20 years later with no success in terms of profitability. Uber has not had a single profitable quarter since its inception (Goletz, 2019; Uber, 2020c) and Airbnb has not given public announcement on its financials so far other than revenue (Weinberg, 2019).

Another distinctive problem for Internet era companies is multi-homing. It is a “*choice of an agent in a user network to use more than one platform*”. (Landsman & Stremersch, 2011, p. 39) and is opposite to the term single-homing which means using only single platform. Multi-homing has two dimensions: buyers and sellers. Buyer can source the product or service from multiple platforms and seller can list their product or service on multiple platforms at the same time. Users have been shown to prefer more than one platform simultaneously in order to gain more benefits (Hu, Zhao, Zou & Teng, 2017) since platforms tend to differ in features even though they would serve the same purpose. This shows that users on the buying side are willing to see a bit more trouble by installing multiple applications and switch between them in order to get their needs served fully. From the sellers point of view multi-homing offers possibility to sell to a larger audience in the hopes of bigger revenue but increases the cost of sales in platform fees and adaptation work (Landsman & Stremersch, 2011).

Eisenmann et al. (2006) have written about platform strategies and identify three challenges typical for companies struggling with building successful two-sided market business. The first challenge is getting the pricing right since it does not follow the traditional cost of producing an extra unit but is actually much more complex task. Company has to choose if they should price both sides of the market equally or subsidize one side and charge the other side more. Author’s advice is to subsidize the side that is more sensitive for quality and price and then get the revenue from the side that has more to gain from the growth of the subsidized side. Additionally companies should secure big marquee users that have potential to attract more users. Secondly the two-sided marketplace provider should decide if there is a possibility that the market

would be served by one platform in the end and whether they would like to share it with competitors or fight for control. Third challenge is to avoid being swallowed by bigger platform that has overlapping user groups. This challenge can be dealt with by preparing to pivot the business model if needed. Later Bakos & Katsamakas (2008) complemented the strategy list by arguing that the fourth challenge is to design the network the right way.

### 2.1.2 Ride-sourcing economy

Ride-sourcing is part of the sharing economy where online intermediaries match passengers (buyers) with drivers with a car (sellers) and automate the customer process from payments to customer feedback (Schwieterman & Smith, 2018). Despite being very similar to taxi services, in ride-sourcing the customer cannot hail the taxi from street (Schwieterman & Smith, 2018).

Multiple studies have identified different terms for hire a care with driver services such as ride-sharing, ride-sourcing, for-profit ride-sharing, or ride-hailing (Zha, Yin & Yang, 2016). However in the recent literature the terms ride-sourcing and ride-hailing have become prevalent (Frenken & Schor, 2017). Especially the literature has started to question the sharing aspect in Uber-like services since a ride from place A to place B does not occur without the customer's order where as in carpooling the ride happens regardless of the number of passengers (Frenken & Schor, 2017). In carpooling or ride-splitting the parties are heading to same direction, at the same time and usually for the same reason (Ma & Hanrahan, 2020; Schwieterman & Smith, 2018). On the contrary in ride-sourcing the trip does not take place if both rider and passenger are not present. It also requires the rider to first drive to the location of the passenger and usually charge him or her for the ride afterwards (Ma & Hanrahan, 2020). For the sake of clarity, this study will use the term ride-sourcing from now on.

Ride-sourcing started in 2009 when Uber was founded in the name of Ubercab and was followed by companies such as Lyft and DiDi Chuxing in 2012 and 2015 respectively. These companies provide rides-sourcing services and have been categorized as transportation network companies or TNCs (Flores & Rayle, 2017; Tzur, 2019). They offer consumer services ranging from door-to-door passenger transportation to ride-splitting and have recently expanded to business services such as shipping and fast food delivery (Lyft, 2020a; Uber, 2020a). Compared to other transportation companies, TNCs do not own vehicles or employ drivers themselves but offer a platform where the people or companies owning one can sell their services to buyers.

Technologically ride-sourcing type of services could not exist before four important innovations. First they required GPS to be introduced to smartphones that most of the population could afford. Second, a wireless Internet connection in the form of 3G and 4G networks and their wide coverage around the world. Third, the transport network companies needed cloud services, popularized by companies like Amazon, Microsoft and Google, that offered an unprecedented way of scaling software services due to practically unlimited computing power and storage space available for low cost. Finally it can be argued that in order to reach a critical amount of users and to provision the software application effectively, digital application marketplaces or "appstores" were required (Ghazawneh & Henfridsson, 2015).

While ride-sourcing economy is a two-sided market where a platform connects both sellers and buyers, researchers have made arguments that the same business strategies may not suit it the same way as compared to say, video games or operating systems

(Guo, Li & Zeng, 2019). The authors claim that the prominent strategy, subsidizing the side that is more price-sensitive and take payments from the other side that gains more from the growth of the subsidized side (Eisenmann et al., 2006), may not work in ride-sourcing because both sides are essentially consumers.

The same platform strategy described above can be seen in the actions of the ride-sourcing companies. Because of the aggressive expansion strategies and winner-take-all competition (Bakos & Katsamakos, 2008; Eisenmann et al., 2006), the regulators are forced to keep close eye of the possible future scenarios in order to both maintain healthy competition and safety of the consumers.

### 2.1.3 Regulation of taxi industry

The regulation of ride-sourcing is multi-faceted by nature and is in its infancy. Until the inception of Uber, transporting people from door to door was a job for taxis that have been around more than 100 years. The roots of a taxi industry are in hackneys which were the means of personnel transportation already in 1600s in London and Paris (Williams, 1981). They were quickly regulated in order to limit the number of hackneys and preserve public safety. The same reasons applied when government started to regulate taxis in 1920s in United States (Frankena & Pautler, 1984). Despite enabling people to hire a car with driver, ride-sourcing companies do not see themselves as taxi but as technology companies. This is the source of the even somewhat heated debate on the matter. In order to understand fully the regulative landscape ride-sourcing companies face today, it is important to understand the antecedents of the taxi industry regulation and deregulation.

Since 1930s taxis have been regulated in United States with actions such as 1) limited entry by required registration or operation license, 2) setting a minimum level of insurance and vehicle safety rules, 3) controlling parking and passenger pick-up areas, 4) regulating fares 5) controlling the color and signage of the vehicle, 6) requiring licensed taxi meter and 7) requiring certain level of driver expertise, courtesy and honesty (Dempsey, 1996). The same type of regulation is also present in Europe (Frazzani et al., 2016). In all cases the justification for the regulation has been to achieve better level of taxi service for the public by e.g. decreasing traffic congestion and air pollution, maximizing public safety and preventing discrimination (Dempsey, 1996).

This regulation, especially accompanied with the limited entry, creates a closed market with very little competition which in turn suggests that prices are not as efficient as they could be from the customer point of view. To address this market failure there has been deregulation actions in the past both in United States and in Europe.

Dempsey (1996) synthesised the arguments for both taxi regulation and deregulation and the empirical results of deregulation attempts to the date. He noted that the proponents of deregulation argue that the removal of the entry and pricing limitations which would lead to lower prices, better service and more options for the customers. However the empirical reality has not been as fruitful as the free market theory would suggest. Driving a taxi is a low-income job and removing the license requirement creates a very low barrier of entry. Accompanied with elimination of regional quotas this has two major implications. First the amount of drivers goes up especially during the recession while the number of potential customers goes down since people have less money to spend. Second, the high number of taxis create traffic congestions especially

around airports and hotels. This in turn lowers the accessibility for taxi ride outside city centers because it is much more profitable to drive in areas with dense population.

Later Moore and Balaker (2006) drew together a number of economic studies of the benefits and disadvantages of deregulation. Based on the literature review the authors argue that both the customers and regulators suffer from information problems especially around airport and complete deregulation might not make sense. Another major issue is rent-seeking which is typical for taxi market: license owners are able to reap the profits and the drivers bear the financial risks and liabilities. Moore and Balaker conclude that deregulation can be beneficial if correct actions are taken and the focus of the efforts are put into decreasing rent-seeking and bureaucratic self-interest.

#### 2.1.4 Regulation of ride-sourcing

The taxi market regulation and deregulation is significant background information when looking at legislation related to ride-sourcing from the regulator point of view. Ride-sourcing is mapped together with taxis under segment called “hire cars with driver” (Frazzani et al., 2016). The ride-sourcing platforms are seen as online labour platforms and majority of the legislative pressure is around the existing taxi law, labour law and worker rights. A recent European Commission report by De Stefano & Aloisi (2018) acknowledges the different nature of online labour platforms. Their report finds that only a few European countries have created specific regulations for the online labour market players. They note that instead of creating regulation that would fit in every situation it would be more beneficial to investigate the fit of the existing labour law categories without disregarding the complicated nature of the sharing economy phenomenon.

Platform and especially ride-sourcing economy introduces a number of problems in terms of current legislation (De Stefano & Aloisi, 2018; Thelen, 2018). How the company offering two-sided market platform and the worker using the platform should be classified? These regulative problems arise from the business model of the ride-sourcing economy: keep the organization as lean as possible by minimizing the amount of employees and relying on IT automation as much as possible (De Stefani & Aloisi, 2018). This is their key competitive advantage and therefore a big driver for the platform companies to fight against any regulation that would hinder it. However on the other side of the discussion are the incumbent taxi companies whose primary competitive advantage have been the steep barriers of entry offered by the existing legislation (Thelen, 2018).

Thelen (2018) identifies five regulative problems with Uber: 1) competition of the incumbent taxi firms, 2) employment and labor issues about how employment relationship is defined, 3) social policy especially in the case of healthcare which is usually available only for a person with employee status, 4) taxation policy of how the worker should pay taxes on the assignments made with own assets and 5) consumer safety where platforms claim they are safer than incumbent taxis because they provide better background checks.

De Stefano & Aloisi (2018) find that the relation between platform and the worker can be assessed through five dimensions: 1) access to the platform and registration 2) selection process and hiring 3) performance execution and command power (4) rating and ranking, monitoring power (and deactivation) 5) payment rewards for completed tasks.

Sharing economy makes a fuzzy line between personal and professional status when offering commercial services. Still the offered services, mediated by platforms, are subject to traditional regulation. These regulations form barriers that restrict the growth of employment through peer-to-peer platforms. The platforms that are under close eye of the regulators should instead be taken as key actors in the regulatory framework. New digital era offers ways for self-regulation yet some governmental oversight is necessary since the interests of commercial companies and social welfare are probably not completely aligned. (Cohen & Sumdarajan, 2017)

However it is hard to evaluate the current social and economic impacts of the sharing economy since most of the data is owned by the technology platform companies who do not want and are not required to share it transparently (Frenken & Schor, 2017). Accompanied with the privacy concerns (Teubner & Flath, 2019) it will be a challenging task for the regulators to build a coherent legislation without the full understanding about the consequences of the sharing phenomenon.

## 2.2 Legitimacy

Legitimacy has been studied in multiple fields such as management (Suchman, 1995; Suddaby, Bitektine & Haack, 2017), sociology (Johnson, Dowd & Ridgeway, 2006; Scott, 1995) and information systems (Kaganer, Pawlowski & Wiley-Patton, 2010; Wang & Swanson, 2007) and has provided various angles to understand the phenomenon. However through the years the discourse between researchers has been incoherent and the practitioners have recently sought to clarify the situation (Suddaby et al. 2017). The research has made a distinction between strategic and institutional approaches to legitimacy (Suchman, 1995). In the first approach legitimacy is an operational resource that is extracted from cultural environment where the legitimization process requires major managerial control. The second approach sees legitimacy rather as a set of constitutive beliefs that are formed when organization is affected by external institutions.

When defining legitimacy it is important to make distinction between what legitimacy is and what it is for (Suchman, 1995). Organizational legitimacy as seen by Suchman (1995, p. 574) is “*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, and definitions*”. He argues that “*legitimacy is possessed objectively, yet retained subjectively*” which means that organization can largely diverge from societal norms but still preserve legitimacy because no one notices the difference between actions and norms. It might also be that while an individual does not see the organizations behaviour as legitimate, as a group the judgment can be the opposite.

Regarding what the legitimacy is for, Suchman (1995) notes that being legitimate helps organizations to attract resources, to be easily understandable and to be seen as trustworthy. Organizations can also seek active or passive support to their legitimization. Generally legitimacy is pursued in order to attract new customers, employees, suppliers and partners or to gain legislative approval for their line of business.

In institutional theory the legitimacy is made of and rests on three vital pillars (Scott, 1995). The regulative pillar describes a system of rules that are supported by mechanisms of surveillance and sanctioning in order to guide people and organizations in their actions. Normative pillar guides actions through values and norms which are seen as preferred or desirable in the given external environment. Normative system designates objectives that should be pursued and defines suitable means to achieve

those. It differs from regulative system because it gives weight to the role a person or organization has in the system and describes how the actor should behave. Not all values and norms apply to all actors. The final pillar is called cultural-cognitive which emphasizes the significance of the social interactions and beliefs that create boundaries for the actions of actors. Cultural-cognitive view also stresses the weight of subjective interpretation in addition to the objective conditions.

### 2.2.1 Different types of legitimacy

Multiple studies have offered lenses to evaluate and categorize organizational legitimacy (Kaganer et al., 2010; Suchman, 1995; Suddaby et al., 2017). From the previous literature Suchman (1995) identified three different forms of organizational legitimacy: pragmatic, moral and cognitive.

Pragmatic legitimacy is based on self-interest where support is given to an organization in the hopes of gaining something in return such as support for your own cause or favourable development of one's larger interests. Moral legitimacy on the other hand judges whether activity is perceived as the "right thing to do" depending on the audiences values. The evaluated values can be outputs of the organization, techniques and procedures they use, the structure how they are organized or what kind of impression their leaders and representatives give. The third form, cognitive legitimacy, is based on comprehensibility and taken-for-grantedness. Comprehensibility is about how predictable, meaningful or inviting the actions are while taken-for-grantedness is seen as the ultimate level of legitimacy where the observers do not even consider other options. (Suchman, 1995)

Kaganer et al. (2010) investigated the above three forms of organizational legitimacy through the legitimation mechanism (desirability and validity) in the diffusion of IT innovation. Their research also found a socio-political legitimacy which is actually a meta-type because it can be gained through any of the pragmatic, moral or regulative forms. Socio-political legitimacy is more a process through which the key actors recognize the endeavour as appropriate considering the prevailing norms and laws (Aldrich & Fiol, 1994).

Literature has also proposed control legitimacy as a new type of legitimacy (Bijlsma-Frankema & Costa, 2010). It focuses on a set of controls used by managers to control employee performance and behaviour. Control legitimacy has four sources: justice, autonomy, competence development, group identification. Balancing the level of control on the above sources is crucial in order to create positive evaluations from the employees. Being too strict may evoke negative attitude and undermine the efforts to gain legitimacy. Recently Cram and Wiener (2018) studied the relationship between perceived control legitimacy and information systems development control activities. They found out that managers can improve the organizational performance by focusing on employees hopes for the four sources of control legitimacy but keeping the control in balance in order to avoid the negative outcomes.

To address the complicated field of legitimacy literature, Suddaby, Bitektine & Haack (2017) investigated how the scholars have examined the concept of legitimacy. Their analysis revealed three distinct perspectives of how legitimacy is viewed by researchers: property, process and perception. They recognized three key roles that appear in each perspective: 1) an object, the one being evaluated by others, 2) a change agent who wants to change the state of the legitimacy and finally 3) the evaluator who provides the

legitimacy judgment. The emphasis is different on each role depending on the used perspective as we will see later.

Legitimacy-as-property views legitimacy as a result of structures and routines within an organization and the assumptions of the external environment. An example of this kind of legitimacy would be an organization that acquires a publicly recognized certification. Legitimacy is seen as a resource, an asset or a capacity occurring between the object and its environment by having certain attributes meeting the external expectations.

Instead of focusing on properties the legitimacy-as-process considers the journey of how legitimacy is constructed by different agents and social actors. Example of legitimacy-as-process view would be examining the rhetoric an organization uses to legitimise the existence of their new product. Here the legitimacy is ever evolving state between multiple actors who want or do not want a change to happen.

The third perspective, legitimacy-as-perception, explores the role of individuals in the legitimacy process and how their judgment is constructed i.e. what different elements affect to stakeholder's opinion. Here legitimacy is a social judgment or an evaluation occurring between individual and evaluators.

### 2.2.2 Regulative legitimacy

This study takes a closer look at the regulative legitimacy. Scott (1995, p. 42) defines it as the amount organization complies with "*explicit regulative processes - rule setting, monitoring and sanctioning activities*". Kaganer et al. (2010) go as far as arguing regulative legitimacy is the fourth type of legitimacy in addition to pragmatic, moral and cognitive forms instead of just being a part of the first one. The same authors highlight its importance in IT domain and especially when launching new information technologies. From the previous literature they identify that IT innovation needs to conform to policies and directives set by formal authority and achieve compliance with IT regulations. Finally regulative legitimacy is needed to ease the diffusion when adopter organization takes the IT innovation into use.

Regulative and legislative landscape has significant effect on where and how organizations can do business for example in the form of entry and bankruptcy costs, credit and tax rules, property rights, employment laws (Klapper, Laeven & Rajan, 2006). Even more so, laws and regulations have the ability to boost or obstruct behaviour depending on the goals of the regulator (Kostova & Roth, 2002).

Deephouse & Suchman (2008) argue that the absence of regulative legitimacy problems indicates the organization is accepted by the authorities. They also note that having these issues is not straightforward indicator of a real challenge but may be just a show made for the general public. Without respecting the prevailing legislation a company cannot operate sustainably. The fact that regulations and laws are created and administrated by institutions brings in politics and corruption. Previous literature has showed that regulation in less democratic countries is heavier, entry to a market is harder and the price of entry is higher but it does not yield to better quality of goods and services (Djankov, La Porta & Lopez-de-Silanes, 2002). On the contrary if the political climate is stable the legitimacy gained through regulation or a law probably will not diminish quickly.

This is why regulations and regulative climate is considered a major business risk (Klapper, Laeven, Rajan, 2006) and is a key concern when organization weighs entering

a new market or location (Djankov et al., 2002). Organizations choose to either comply with current legislation or seek to change it to support their business (Chalmers & Matthews, 2019; Pelzer, Frenken & Boon, 2019; Serafin, 2019). Even when the legislation is changed to support new technologies it does not guarantee regulative legitimacy for technology or business. An example of this is the recent work by Väyrynen and Lanamäki (2020) who studied how the policy ambiguity and legal indeterminacy affects the regulative legitimacy of technology. They argue that when the legislation changes from clear and specific to ambiguous the legitimacy perspective changes from a property to a process.

The next chapter will elaborate on the different legitimacy strategies that organizations have used in order to build legitimacy.

### 2.2.3 Legitimacy strategies

How legitimacy can be gained? A number of studies have addressed the issue from new organization or venture point of view (Aldrich & Fiol, 1994; Kaganer et al., 2010; Suchman, 1995). The following strategies provide an understanding about how the required actions differ depending on what level of legitimacy is sought by the organization. Suchman (1995) recognized two challenges in legitimacy building: 1) sector building which refers to differentiating the new industry from the incumbents and 2) creating new constituencies and convincing existing entities to help with the new endeavour.

Aldrich & Fiol (1994) focused on entrepreneurial strategies for new industries which were categorized based on the legitimacy type and level of analysis. Authors recognized two types of legitimacy: cognitive and socio-political and the strategies were discussed on four levels. On organizational level the cognitive strategy is to use symbolic language and behaviors to develop audience's knowledge. Socio-political strategy is to develop trust towards the new activity by using consistence storytelling internally since there are no external sources of validation. After reaching some trust to their organization, founders should focus on interactions with other organizations in the same industry. Aldrich & Fiol call this intra-industry level. The cognitive strategy is to encourage similarities with the dominant design to earn validation again in the absence of external evidence. Socio-political strategy suggests that instead of fighting over designs or standards, it would be more fruitful to build perspective of reliability through collective actions with partner or even competitive organizations.

Inter-industry level strategies consist of interactions with organisations on other industries. According to the study it is important to garner reputation on other industries as well since they may otherwise hinder the business opportunities or even pose a threat for existence. To gain cognitive legitimacy founders have to use third-party actors such as trade associations to promote their public image. Gaining socio-political legitimacy is also vital in order to block the possible resistance from the incumbents of other industries. This can be achieved via negotiations and compromises with other industries.

All the previous three strategy levels aim to lay the basis for the final, institutional level strategies. These strategies aim to build cognitive legitimacy by encouraging educational organizations such as universities or technology schools to provide teaching in the area of the new industry. Socio-political approval or at least tolerance should be sought after by organizing collective marketing and lobbying ventures or otherwise it might become a critical obstacle for the company's future.



Suchman (1995) argued that legitimacy building efforts can be divided into three clusters: 1) those that adapt to the orders of incumbents, 2) those that select the environment in order to find favourable audience and 3) those that manipulate the environment in the hopes of building new audience and sympathetic beliefs. Each of these have different flavours depending what type of legitimacy is sought: pragmatic, moral or cognitive.

The first cluster, adapting to the rules established by existing players, is the easiest route in the sense it does not require building new cognitive frames. However it does require the organization to meet the needs of multiple audiences, producing meritorious results or seek mimetic isomorphism by carefully copying the most reputational entities but trying to keep their unique advantages at the same time. Selecting applicable environment involve marketing research for recognizing the ideal audiences, recruiting people with credibility on the particular avenue or altering organization's moral criteria to fit to the prevailing culture. When the previous two clusters of strategies are not sufficient, organization can manipulate the environment in order to gain legitimacy. This is true for example in cases where an innovation contradicts the existing norms so much that the cultural environment must be prepared in advance for the new product. This can be achieved through advertising, accumulating a track record of success, lobbying, popularization or standardization. While studying IT diffusion Kaganer et al. (2010) identified an additional regulative legitimacy cluster which consists of strategies such as signalling how the new practice complies with applicable laws and regulations.

On information technology side Kaganer et al. (2010) results contributed to how firms can gain legitimacy by studying medical technology adoption and the strategies used to promote it to users and other key stakeholders. The authors developed IT legitimation taxonomy that consists of 26 discursive strategies that are divided into eight strategy groups.

First group is system which consists of strategies defining features, attributes and characteristics of the IT system and how they are aligned with the current best practices. Second identified group is implementation which focuses on delivery strategies, success stories and proactive risk management regarding the system. Third group of strategies is organizational and end-user diffusion which aim to gain wider adoption and utilization rate. Biggest group pinpointed by Kaganer et al. (2010) was value. Considerable amount of discourse was focused around explaining how the innovation decreases costs, improves quality and operational performance in the adopter organization. Alliance group contains strategies around collaborative actions towards collective advertisement, forging partnerships and convincing influential actors on the field. Sixth group concentrates on reputational factors around the organization's founders, awards won and size of the market share. The last two identified groups include normative and regulative strategies. Normative actions should emphasize harmony with prevailing moral standards and enabling role of the innovation. Regulative legitimacy strategies involve complying with rules set by key regulative agencies.

Dorobantu, Kaul and Zelner (2017) synthesized the earlier literature on nonmarket strategy research and institutional economics. They argue that companies generally have three options when contesting for competitive advantage. Companies can choose either to adapt to the current institutional environment, try to improve it or try to transform it completely to suit their needs. While focusing on the choice of the strategy, Dorobantu et al. (2017) also made a division between incomplete and captured institutions. Incomplete institutions do not have rules or governance structure in place or lacking sufficient monitoring. Captured institutions have rules and structures but they are

enforced to meet the interests of a small inside group. Despite incomplete institutions may have immature governance, they affect all market actors the same way. In captured institutions the outsiders are affected by the rules and insiders enjoy privileges that give them competitive edge over others in the market.

#### 2.2.4 Legitimacy in the context of ride-sourcing

The organizational and legitimation aspect of sharing and platform economies and how they blend in to culture had received little attention until recently (Mair & Reischauer, 2017). In their research Mair & Reischauer argue that sharing economy organizations face a lot of institutional level complexity because their competitors are both the other sharing economy companies and the traditional companies who do not wish them to enter the same market. They called for research on the consequences of the legitimation strategies used by sharing economy companies in order to understand why they engaged such ventures in the first place.

On ride-sourcing a few studies have emerged on legitimation challenges focused on United States (Chalmers & Matthews, 2019; Garud, Kumaraswamy & Roberts, 2020; Seidl, 2020) and Asia (Fan, Xia, Zhang & Chen, 2019; Tseng & Chan, 2019; Zhang, Kien & Lee, 2018) and in Europe so far (Pelzer et al., 2019; Serafin, 2019; Uzunca, Rigtering & Ozcan, 2018). The work by Garud et al. (2020) argue that sharing economy companies, in order to gain visibility, have to enter new areas despite of the risk of running into regulative and legislative issues.

The work by Uzunca et al. (2018) revealed that similar strategies have different effects depending on the country they were applied to. Countries where the degree of institutionalization was low, Uber and Airbnb had more opportunities to transform the institutional environment confirming what Dorobantu et al. (2017) found earlier in their work. On the contrary, the countries that institutionalization was more developed the same strategies did not have as good results. They also found that the national governments attitude towards transformation had high impact on the legitimacy building efforts.

Fan et al. (2019) studied how ride-sourcing company Uber's socially embedded process affected the generation of organizational legitimacy and its sustainability in China. They identified the importance of addressing the cultural differences between the institutional environments between the host and targeted expansion countries. The success of social embeddedness in general depends greatly on focusing on structural, cognitive, cultural and historical embeddedness. This means minimizing cultural gaps and emphasizing the user experience in the beginning of the venture and then gradually developing relationships with local partners and institutions. Failing in social embeddedness gives the edge to the local competitors and decreasing the chances of generation organizational legitimacy.

Uber's expansion efforts were also studied in Taiwan by Tseng and Chan (2019). Their research revealed how Uber used the strategies of framing, aggregating and bridging when building justification and legitimation for their venture. In order to get rid of illegal image, Uber framed their services as improving society, improving the usage of idle resources and providing more choices of transportation for people who do not own a car. By holding charity events, launching services for disabled persons and working together with animal shelters, Uber polished their brand image and steered the attention away from its grey business. Aggregating users and especially drivers was Uber's way to gain ground in Taiwan. The company encouraged to give feedback and referrals in

return of discount codes and other prizes. While still walking a narrow line legally, Uber paid the fines of its drivers and reach to hundreds of thousands of people to get signature for online petition. The third strategy, bridging, aims to build legitimacy through partnering with car dealer and rental services, offering promotions to shops and releasing an open web based API for third-party vendors to develop cooperative service with other industries. Uber also shared the usage data with the government in order to show how its technology empowers the society.

## 2.3 Summary

This literature review has revealed several key concepts that narrow the scope of the empirical study:

Sharing economy is *“an IT-facilitated peer-to-peer model for commercial or non-commercial sharing of under-utilized goods or service capacity through an intermediary without transfer of ownership”* (Schlagwein et al., 2019, p. 13) and it creates value by 1) effective use of underutilized assets, 2) brings together multiple buyers and sellers, 3) minimizes transaction costs, 4) decreases asymmetric information problem and 5) creates value for customer segments who are underserved by incumbents (Koopman, Mitchell & Thierer, 2015). Ride-sourcing companies are match-making platforms that are both manifestations of sharing economy and two-sided marketplaces. They are intermediaries who match passengers (customers) and drivers with a car (service providers) and automate everything else of the customer experience except the ride itself via online platform. The key competitive advantage of these transport network companies (TNCs) versus the traditional taxi companies is to not employ drivers or own vehicles themselves.

Ride-sourcing platforms have both old and new challenges in conducting their business. In the beginning two-sided marketplace has to attract both buyers and sellers to get the ball rolling. Network effects are probably the most important aspect for any business today and transport network companies make no exception. Low switching costs and multi-homing for both passengers and drivers has led to a crusade for network effects where aggressive expansion strategies are employed and TNCs use major portions of their budgets to advertising and lobbying.

Ride-sourcing companies are offering technology that disrupts the way more than century old profession of driving people from place A to B is done. But before these Uber-like technologies came to exist the taxi industry had already created a closed ecosystem with the help of legislators. The legislative challenges for the newcomers is not restricted only to taxi licences, pricing or required vehicle equipment but also the employer and employee relationship. Drivers are private contractors, partners, who do not enjoy the traditional healthcare available for employee or any other employee protection mechanisms that legislation offers but the platforms still exercise similar control to them as they would do to employees.

Organizational legitimacy has been defined as *“a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, and definitions”* (Suchman, 1995, p. 574). It was divided into three categories: pragmatic, moral and cognitive. However in recent years and especially in information technology the research has argued that fourth category, regulative legitimacy exists where the organization complies with *“explicit regulative processes - rule setting, monitoring and sanctioning activities”*. In most countries taxi market is regulated in such a way that ride-sourcing companies or at least their sellers,

the drivers, are illegal. As long as driving for a ride-sourcing platform is not legitimized the companies cannot do business, at least not sustainably.

The previous literature shows that this legitimacy problem is clearly identified among the players such as Uber. While their business model is not legitimate from the beginning, they use different strategies to manipulate the environment they operate in to transform the regulative state from illegal to legal. TNCs try to gain regulative legitimacy by changing the existing regulation to support their business models but they already start to operate before the legislation is ready. While operating under grey area the TNCs actively persuade their audiences with different marketing strategies in order to gain social embeddedness together with moral and cognitive legitimacy so that the law makers would be forced to bend to their will.

Given the above background it is fruitful to investigate how ride-sourcing companies in fact achieve regulative legitimacy and how they have tried to gain legitimacy themselves in a Nordic country such as Finland. The IT legitimacy by Kaganer et al. (2010) identified eight categories of legitimation strategies used to justify the need for a new clinical information system. The identified categories were related to system, implementation, diffusion, value and alliance in addition to reputation, normative and regulative aspects. This taxonomy is used later in the analysis of the case material as a lens to make sense to Uber's legitimation efforts in Finland.

### 3. Research design

This chapter defines research method used in the study and how the research material is collected and analysed. I will conduct an interpretive qualitative research as the method to investigate the regulation of digital platforms in the context of ride-sourcing. The study focuses on a single case country, Finland, and collects secondary data from law texts, EU directives, regulations and reports which are then content analysed to form a coherent picture of the state of the regulation. I will first explore the case study as a research method then describe the collection of material and finally elaborate on the how the material was analysed.

#### 3.1 Research method

In this is thesis I use interpretive qualitative research method to learn how ride-sourcing platforms companies have been regulated in Finland and how the companies have sought legitimation for their business model during the reform and subsequent amendments to transportation law in 2015-2020.

In contrast to positivist research where scientific knowledge only includes distinct facts and values, an interpretive research is based on the assumption that it is not possible to objectively study events or situations but rather seek relativistic and share understanding of phenomena (Orlikowski & Baroudi, 1991). Orlikowski and Baroudi argue that the goal of the research is to *“understand how members of a social group, through their participation in social processes, enact their particular realities and endow them with meaning, and to show how these meanings, beliefs and intensions of the members help to constitute their social action.”* (p. 13).

Qualitative research collects data which includes words and pictures instead of numbers (Gilgun, 1992) and it makes the researcher to *“delve into the complexity of the problem rather than abstract it away. Thus, the results are richer and more informative”* (Seaman, 1999, p. 557).

Walsham (1995) emphasizes a thorough description of the case in order to educate both the researchers and the reader about the background of the examined phenomenon and the intertwined conceptual structures which impact heavily on the interpretation of the studied subject and the different interpretation of the stakeholders about the subject. In order to avoid only seeing what initial theory suggests, Walsham advices to remain open and be willing to modify the initial assumptions and theory when the research progresses. This enables iterative process which may even end up giving up the initial theories. In this research the initial literature review provided the essential background against which the data interpretation could be done efficiently by identifying important concepts and structures.

Many studies concerning doing interpretive case studies stress the challenges conducting empirical work (Yin, 1994; Walsham, 1995; Klein & Myers, 1999; Walsham, 2006). The role of the researcher can be outside observer or involved researcher (Walsham, 1995) where one must be careful not to affect the contents of the collected data. Since this study was conducted as a desk research, the role is outside observer and avoids the caveat of affecting the data with his or her own opinions.

However this also poses a limitation to the study as the lack of access to insights of persons who worked with the legislation process directly. Walsham (1995) argues that generally interviews are the primary data source for interpretive studies.

Based on previous literature Benbasat, Goldstein and Mead (1987, p. 370) define case study as research that *“examines a phenomenon in its natural setting, employing multiple methods of data collection to gather information from one or a few entities (people, groups, or organizations)”*. Later Yin (1994, p. 13) emphasized the evasive nature of the research subject by noting that *“case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”*.

Case study method has been described as *“bridge across paradigms”* that fits nicely for studying complex phenomena (Luck, Jackson & Usher, 2006). Benbasat et al. (1987) argue that the method suits well to information systems research because it allows the researcher to study the phenomena in their natural environment and answer “how” and “why” questions. Lastly case study fits well into areas where the number of previous studies is low. The authors emphasize that in information systems new topics are unravelled constantly due to the rapid development of technology.

Benbasat et al. (1987, p. 372) use four questions to evaluate whether case study is appropriate approach to investigate the given phenomenon:

- 1) Can the phenomenon of interest be studied outside its natural setting?
- 2) Must the study focus on contemporary events?
- 3) Is control or manipulation of subjects or events necessary?
- 4) Does the phenomenon of interest enjoy an established theoretical base?

The topic of this study cannot be studied outside its natural setting because of the nature of legislations and clearly requires the focusing on contemporary events as I am trying to establish a view how ride-sourcing platforms are regulated today and how they try to transform the regulations to their favour. I also do not need to manipulate subjects or events since the information is already available in public records. The current theoretical base has focused mainly to the strategies the ride-sourcing platforms have used to gain legitimacy but very little on the constraints they are facing from regulative institutions.

Regarding the trustworthiness of the results Yin (1994) emphasizes that the case study should provide clear traces of any evidence starting from the research questions to the conclusions. This study heeds the advice by carefully creating unique identifiers for each entry in case material and finding.

### 3.2 Data collection

Benbasat et al. (1987, p. 374) note that the goal of data collection *“is to obtain a rich set of data surrounding the specific research issue, as well as capturing the contextual complexity”*. They also stress that for the sake of reliability and validity the research should describe its data sources and the way they contribute to the findings. Walsham (1995) states that reporting about the data collection should include details about the interviewed persons, other data sources and the period of time when the data was acquired.

In this study I did not conduct interviews but obtained secondary material made publicly available from government website material, including national level legislations, regulations, EU directives and reports of the given area between 2007 and 2020. Also selected newspaper articles about judicial verdicts and general public opinion were used when they provided relevant background information to the case. Comments to law proposals by ride-sourcing organizations were collected from the government public archive in order to find evidence on how they have tried to transform the legislation to favour their business model and to gain regulative legitimacy. Each material entry was recorded to a separate spreadsheet and was given an identification tag “FI” plus an increasing number starting from 1. Additionally each document entry was described further by topic, type of the document, country it was targeting or originating from, date when the document was published, date when it was accessed and a link to the document. The contents of the collected material are discussed in the chapter 4 and findings in chapter 5. The full material list can be found in Appendix 1.

### 3.3 Data analysis

Reporting of data analysis should at least include how the data was recorded, analyzed and how the iterative process of going through theory and empirical data was conducted and how it evolved during the research (Walsham, 1995).

The data was analysed by going through the government’s law proposals, expert and Uber’s official and public arguments to those proposals and the final law texts where the law had been approved. The aim was to identify 1) the exact law sections that have an effect on ride-sourcing companies’ business model and operations, 2) how and which items the ride-sourcing companies tried to transform with their official comments and finally 3) what type of strategies were used as proposed by Kaganer et al. (2010).

All data was put into spreadsheet format. Each argument was given an ID and then sought from both the final government proposal and law text first by searching an identifying term in the argument and finally by manual reading for proofing purposes. The location of Uber’s argument and possible equivalent proposal / law text was recorded with page number and if given, chapter / section number. The result of each identified argument was evaluated whether it could be found on the final law proposal based on the criteria in table 1. This part of the analysis did not consider whether the law was ultimately approved, approved with modification or abandoned.

The analysis did not go through the initial proposals that Uber commented on 2016 and 2018 but did include the assessment memo from 2020. Since the latest law process in 2020 had two different documents, assessment memo and final proposal, that Uber commented, they were separated in analysis with labels “2020a” and “2020b” respectively.

Table 1 shows how each argument was evaluated based on where and in what form it was found in proposals or law texts.

**Table 1:** Descriptions of the law proposal argument evaluation

Classification	Found in proposal or law	Description
Proposal	Yes	found in final proposal arguments
Law	Yes	found in law text
Partially in proposal	Yes, partially	the original idea of the argument was found in proposal but was not fully executed
Partially in law	Yes, partially	the original idea of the argument was found in law but was not fully executed
Removed	No	The item in preliminary proposal was removed in the final proposal
Not found	No	the argument was not used in proposal justifications and was not in the law text

Finally each argument was evaluated against the strategies from IT legitimacy taxonomy by Kaganer et al. (2010). References to other countries laws or court decisions were considered as regulative - compliance strategy even though it can be argued that they do not fill the description of the original strategy category exactly. Furthermore the arguments that commented current regulation or how it should evolve were also categorized as regulative –compliance. Table 2 lists the strategies in IT legitimization taxonomy and the ones found in the empirical data of this study are bolded.

**Table 2.** IT legitimization strategies adopted from Kaganer et al. (2010)

Strategy name	Strategy description
<b>System - functionality</b>	<b>Explicitly define key features, attributes and usage conditions of the innovation</b>
<b>System - configuration</b>	<b>Explicitly define key characteristics of the underlying IT artifact</b>
System - characteristics	Describe the characteristics of the innovation that are in alignment with the current technological best practices
Implementation - strategies	Describe implementation strategies/success factors
<b>Implementation - successes</b>	<b>Demonstrate implementation successes (examples)</b>
<b>Implementation - challenges</b>	<b>Discuss challenges/risks associated with the innovation</b>
<b>Diffusion - organizational</b>	<b>Describe positive market response to the innovation; emphasize ongoing development of the innovation</b>
<b>Diffusion - end user</b>	<b>Stress acceptance of the innovation by end users</b>
Value - clinical - rationale	Explain how the innovation improves quality of medical care in an adopter organization
Value - clinical - success story	Provide examples of how the innovation improves quality of medical care in adopter organization
<b>Value - financial - rationale</b>	<b>Explain how the innovation improves financial performance of an adopter organization</b>
Value - financial - success story	Provide examples of how the innovation improves financial performance of an adopter organization
<b>Value - operational - rationale</b>	<b>Explain how the innovation improves operational performance of an adopter organization</b>
Value - operational - success story	Provide examples of how the innovation improves operational performance of an adopter organization

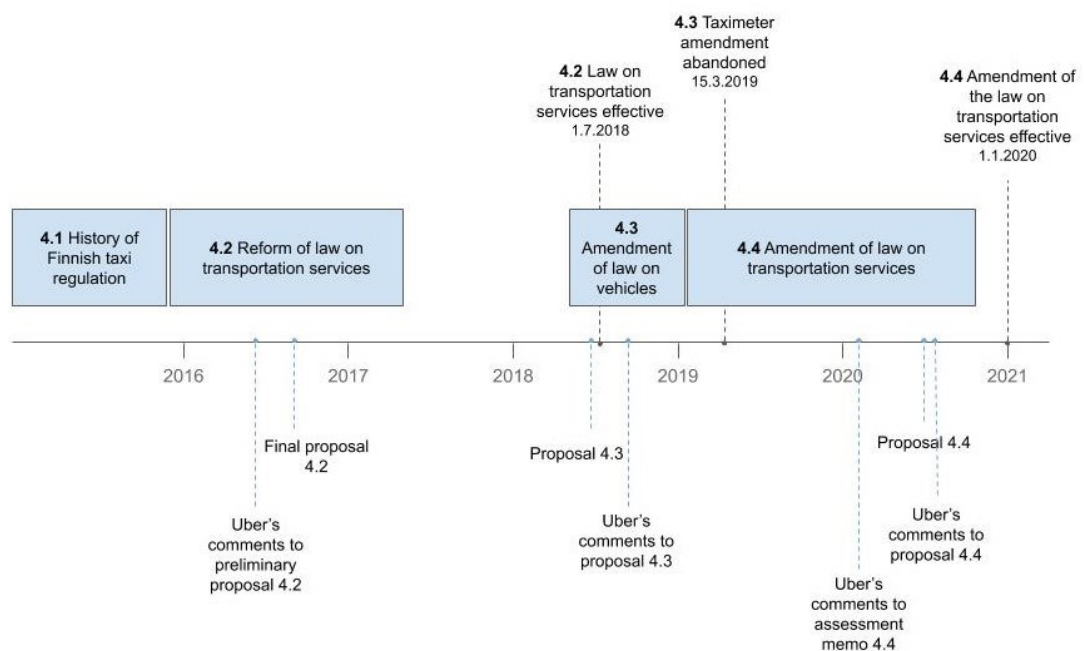


<b>Value - business - rationale</b>	<b>Explain how the innovation improves general business performance of an adopter organization</b>
<b>Value - business - success story</b>	<b>Provide examples of how the innovation general business performance of an adopter organization</b>
Value - IT - rationale	Explain how the innovation improves management of IT in an adopter organization
Value - IT success story	Provide examples of how the innovation improves management of IT in an adopter organization
Alliance - adopter	Advertise collaborative long-term relationships with adopters
Alliance - vendor	Advertise partnerships/collaborations with other innovation entrepreneurs
Alliance - field-level actor	Advertise affiliation with influential field level actors
Reputation - vendor	Emphasize the innovation entrepreneurs' strong reputation in the innovation domain and related areas
Reputation - adopter	Describe (favorable) characteristics / stress reputation of the adopter organization
<b>Normative - moral</b>	<b>Stress congruence of the innovation with prevailing moral norms; provide examples</b>
<b>Normative - transformation</b>	<b>Emphasize the ongoing transformation of the adopters' industry; stress the enabling role of the innovation</b>
<b>Regulative - compliance</b>	<b>Stress compliance with legal and quasi-legal rules and regulations</b>

A pivot table was created from the evaluated material and the results were examined through the lens of IT legitimacy taxonomy proposed by Kaganer et al. (2010) in order to see what type of legitimation strategies were used each year and if the results differed from each other. The results are discussed thoroughly in chapter 5.

## 4. Case of deregulating the taxi market in Finland

For this thesis I chose to study the evolution of Finnish taxi legislations from the ride-sourcing company point of view. Finland is an interesting case because it recently chose to remove all barriers of entry from the taxi market in order to enable new business models (F01) only to tighten the grip again after to mediocre results (FI04) and public pressure. The case material provides evidence on how ride-sourcing platforms have been and are regulated today in Finland. Additionally the material provides insight how the platform companies have tried to legitimize their business during the uncertain regulative atmosphere. Figure 1 illustrates what time period of time the subchapters cover and how they relate on the effective changes regarding ride-sourcing platforms.



**Figure 1.** Timeline showing the periods of case study chapters and discussed key events

### 4.1 History of Finnish taxi regulation

Prior the year 2018 the personnel transportation in Finland was regulated in the similar manner than in most developed countries (F20). The justifications for strict regulation were generally consumer safety and service quality in order to minimize black market fees and guarantee ride availability also in remote areas.

First in order to acquire a taxi licence the applicant had to be of legal age, have good reputation and be able to manage financial obligations. Additionally he or she would have to have 6 months experience as a taxi driver and have successfully completed an entrepreneur course minimum of 120 hours. Once the license was issued the holder had obligation to offer taxi services around the year in designated area and report changes in on call duty hours to authorities.

Entrepreneurs did not have leeway on how to conduct their business and by what means. The pricing model was defined in the law and the commission from the ride consisted of basic, mileage and waiting fees and the maximum price was determined by industry cost index. Strict quality standards were set for the service such as vehicle features, condition and equipment, agreed all agreed on call shifts are driven, driver dress code, payment options and driving route decisions. Moreover the vehicle used to transport passengers had to have a physical meter for measuring distance and price (FI23).

All regions had limited number of taxi licenses as well. Public authority determined the number of licenses based on variety of attributes such as the population development and their income level, length of the road infrastructure, number of accommodation and public transportation. If there were more applicants than available licenses, the license would generally be given to an applicant who was the most experienced in driving a taxi (FI21).

The law was unambiguous on hire a car with driver services. Either you ticked all the regulative boxes for the taxi entrepreneur or you were not allowed to transport personnel by car. Despite the negative regulative state of ride-sourcing, Uber registered a subsidiary to Finland in September 2014 and started its operations in November 2014 prior the changes in taxi legislation (FI15). Another ride-sourcing company Taxify was also registered on 2014. Both companies were active until late 2016 when driving for Uber was ruled illegal by Finnish Court of Appeal (FI18).

## 4.2 Reform of law on transportation services

It was not until November 2015 when Cabinet of Juha Sipilä decided that personal transportation services were one of the primary areas to remove regulation deemed unnecessary and enhance the development of digital services such as ride-sourcing in Finland (F01). The arguments for deregulation were to create fertile ground for new technology and business models such as mobility as a service (MaaS) and speed up the overall digitalization in the area of transportation. The program also pursued creating application interfaces (API) to give access to “necessary information about mobility services” and create interoperability between ticket and payment systems. The deregulation aimed to level the playground for all players, create jobs and decrease the public administrative workload and costs by enabling free market.

### 4.2.1 Regulative legitimacy

The concrete deregulation steps for taxi market from the ride-sourcing point of view in the final law on transportation services 320/2017 (FI03) were:

- 1) Remove regional boundaries set for personal transportation
- 2) Remove taxi license quota
- 3) Remove 120 hour entrepreneurship course and taxi driver exam
- 4) Renew taxi license to be tied to driver instead of vehicle
- 5) Remove requirement of 6 month experience as a taxi driver
- 6) Remove maximum price ceiling
- 7) Remove rules for specific pricing model

Additionally an amendment (FI24) was made to law on vehicles 1090/2002 (FI23):

- 8) Allow also other technologies to be used in measuring ride length & duration in addition to traditional taximeter

The law still required the driver to have “a good reputation” meaning no arduous criminal convictions, have adequate communication skills and the company or sole trader is to have solid financial background. From enforcing point view the dispatching company was required to give the information about the total revenue invoiced from dispatched rides. Even though the price ceiling and specific pricing model rules were removed, the dispatch operator or driver had to clearly state the total price or guidance about how the price of the ride will be calculated.

The new act had requirements for information systems and information sharing which included dispatching services specifically. It enforced the companies to build or be compatible with open application interfaces and any discrimination was disallowed. The primary reason was to enable Finnish Transport Infrastructure Agency to acquire information about used routes, stops and schedules but also give opportunity for other organizations. In addition to interoperable information sharing, the Act enforced players to build compatible ticket and payment systems to enable third-party systems to buy at least basic tickets through them. This API requirement supported the acts digitalization and levelled playground efforts. (FI03)

The law was accepted on 24.5.2017 and became effective on 1.8.2018. It granted ride-sourcing companies regulative legitimacy to enter the personnel transportation market and price their service according to their new business model.

#### 4.2.2 Legitimation efforts by Uber

Uber and Taxify, both ride-sourcing companies, commented the Act during the given timeframe. Uber applauded the deregulation efforts and highlighted the following benefits for customers and society in general (FI15):

- 1) Ease of use
- 2) Decreases the need to own a car and reduces CO<sup>2</sup> emissions
- 3) Helps the public transportation efficiency by begin the option for the route’s last-mile from public transportation stop to final destination
- 4) Increase the utilization rate of taxi services. Less idle time because it is easier to find customers thanks to navigation, GPS and mobile technologies
- 5) Better utilization of private cars (idle resources), less parking space needed and more apartments, parks or stores
- 6) Attracting new customers, co-existing with traditional taxi services

Uber also emphasized how opening the taxi market would lead to better services and quality for the consumers. They also argued that keeping the taxi license quota would prevent decreasing traffic congestion and private car ownership. Dynamic pricing would ensure the passengers would always get a ride when they want because higher prices will focus more drivers to dense areas. Measuring the price of the ride also with other

means than sealed physical device would enable technological innovation and customers would be able to see the pricing mechanism before they make the order.

Uber used a consult report which estimated ride-sharing would bring 100 million euros income to Stockholm alone and create new jobs. The ride-sourcing company added that its technology enables data driven safety measures before, during and after the trip. Safety measure should extend beyond mere background check: gathering information during and after the ride. Legislation should also establish transparency by giving the passenger right to see the name of the driver, picture and registration plate before stepping into the car. Uber wanted to make sure the obligation of the Acts second phase, eligibility for giving a ride, is enforced in the future.

Concerns were risen about the 10000€ income limit. Giving a ride should not require taxi license at all or any income limit. Moreover the suggested limit would artificially hamper the described benefits that Finnish people and Finland as a country could yield from ride-sourcing services. If there exists an income threshold for having a license the bureaucracy should be kept very light. Otherwise market disturbances would lead to higher prices and lack of rides in certain areas.

Uber backed up focusing license processing to one authority to keep administrative costs low and ease the work for entrepreneurs in transportation. They provided evidence for the self-employment with an EU study from 2015. Additionally Uber specifically requested that there would be clear statement that EU directive 1071/2009 (FI19) would not be applied to taxi transportation. The regulation in question determined common requirements and rules for a person or company to operate on item and personnel transportation. The biggest concern for Uber was the requirement for an official qualification for transporting personnel which in Finland was considered cumbersome. On a side note Uber hoped that a right to transport packages during personnel transportation would be included into the new law. This could add growth and economic transactions in many industries.

Requirement for schedule and route information is unnecessary for Uber-like systems which would not be beneficial for passengers or drivers. Necessary information should take into consideration the different needs of various transportation services. The API and information sharing requirements should take into account the features of the systems. Concern about denying Uber's dynamic pricing model would yield to lower efficiency rates. Also Uber would like a specific notion that companies do not need to share sensitive information like business secrets. Requirements should also keep in mind privacy aspects so that stakeholders do not suffer from them. For example opening up APIs for third parties might require substantial design, product and technical changes into the systems. These efforts might steal resources away from other work that might have bigger effect on Finnish economy, technology, innovations or productivity.

Taxify supported lighter requirements for taxi license. Removing the regional taxi license quotas would support open competition. Zone based operations hurt the efficiency of taxi services. Lighter requirements for drivers and navigation systems create jobs and fair competition. Current maximum price level has led to price cartel inside taxi industry where providers charging lower fares get bad reputation which hurts efficient markets. Minimum barriers of entry with reasonable quality standards: no criminal records, drunk driving or serious traffic violations, active driver's license, car insurance and inspection. Matchmaking platform should have feedback and reputation system. Proposed 10000€ income limit was seen reasonable. (FI16)

### 4.3 Amendment of law on vehicles

After the decision had been made to deregulate taxi market the government noticed that the rephrasing (FI24) made to existing law on vehicles (FI23) regarding taximeters was unclear and contradicted with the new set of laws, especially with EU directive (FI25). The ambiguity was also reported by Väyrynen and Lanamäki (FI34) in 2020 when the amendment process for the law on transportation services started.

#### 4.3.1 Regulative legitimacy

This conflict hindered the law's intension to enable digital services and the last hurdle for regulative legitimacy for the ride-sourcing companies persisted. Originally the device was the only feasible way to try to guarantee consumer safety against frauds but due to the technological advancement this was no longer the case. As mentioned in the justifications of the amendment, the physical device has not been shown to protect consumers from frauds as argued earlier (Balafoutas, Beck, Kerschbamer & Sutter, 2013). Taxi meters are regulated on EU level with directive 2014/32/EU (FI25). However it gives the opportunity to member states to make adjustments to it and allow for example other measurement technologies if needed. Finnish government argued that ride-sourcing platforms offered transparent routing history thanks to GPS and mobile technologies which gave the consumers enough protection (FI12).

The proposal (FI12) sought to amend three items on the law on vehicles:

- 1) 25§ *“if the price of the ride is based on measuring distance or time, the vehicle must use taximeter to define the price unless the ride is not ordered and paid via such technical interface that achieves sufficient reliability of measurement data and level of information security”*
- 2) 34§ *“monitoring authority on taximeters is Finnish Transport and Communications Agency”*
- 3) 4§ *“market monitoring authority regarding taximeters Finnish Transport and Communications Agency”*

First of these changes sought to remove the ambiguity between the amendment made to law on vehicles in 2017 (FI24) and law on transportation (FI03) and to clearly enable ride-sourcing platforms and their information systems be used in regular vehicles to measure and accept payments on transporting personnel. The latter two items were mainly to clarify the monitoring responsibilities among the authorities.

Regardless of Uber's efforts described below, the previously discussed three items on the law amendment were ultimately abandoned on 15.3.2019. Justification was that the previously discussed law on transportation services (FI03) had only been in effect less than a year and the traffic and communication committee wanted more evidence on its impact on taxi market. No other justifications were given for the decision. As a result the confusion remained of whether physical taximeter was required in cars using ride-sourcing technology.

### 4.3.2 Legitimation efforts by Uber

Again Uber tried to affect the legislation process by promoting technology neutral solutions which their own system could be counted as. From the company's perspective the new technologies and innovations promoted consumer safety due to their accuracy and being able to predict final price versus the older tax meter. According to Uber the old technology resulted in high barrier of entry, limited competition and versatility of the available services. Special emphasis was put on showing how the Uber application was more sophisticated and better alternative than the old device. For example it allowed passengers to get price estimate before even making the order, real-time route information and share the routing details and estimated arrival time with other people. Uber also had UK court decision about the benefits of Uber from the consumer safety point of view and a certificate of California Division of Measurement Standards from 2017 which proved that the application offered reliable and accurate way of defining the price of a ride based on geolocation data. (FI13)

## 4.4 Amendment of the law on transportation services

Already late 2018 the Ministry of Transport and Communications released a report on the effects of the Act to personal transportation market (FI04). While the results were not fully positive, the report did not recommend immediate changes on the new law but to gather more information on the effects first. On March 2019 the Ministry published a questions and answers regarding the problems expressed by public (FI05). It focused on defending the new law and emphasized the long term report that would be done in 2022.

One year after the Act came effective, on July 2019, the Minister of Transportation and Communications announced that corrective actions would be taken in the form of amendment (FI06). Officially the work on the update on the legislation started on January 2020 (FI08) and again the public and private organizations were asked to comment on the legislative improvement. At the time of the writing of this study the proposal was pending final processing in the Finnish Parliament.

### 4.4.1 Consequences of the law on transportation services

In January 2020 the Tax Administration released a report of the effects of the law on transportation services had had on taxi market and the black market inside it (FI07) after 1.7.2018. Unfortunately due to the hurried report schedule the tax administration did not have full year's accounting details but the officials were still able to find some answers.

The report investigated 1) how big effect tax industry has to tax revenue, 2) can the decline of the value added tax (VAT) be explained by black market and 3) does digital platform economy increase the risk for black market. Generally the taxi industry's share of the tax revenue of Finland in total is small compared to for example other transportation industries. The decline on VAT income could be explained by new car purchases, subcontracting services and increase in gasoline prices. The effects of platform economy were hard to pinpoint due to multi-homing. Drivers were found to use multiple applications that forwarded rides and therefore the data was dispersed. Despite that the report did not detect any large scale tax avoidance.

Finnish Competition and Consumer Authority released their report on taxi market (FI08) right after the Tax Administration. Major finding was that opening the market had led to higher prices while the law makers expected prices to decrease. According to

report this suggests forbidden price cooperation or organized region sharing between the players.

Another key finding was the role of dispatching companies. They seemed to exercise considerable control over the taxi drivers for example in provisioning ride requests mainly to drivers who had agreed to certain on call duty hours and regions and by increasing membership fees considerably. Multi-homing, using more than one application for the same purpose, is not directly forbidden but it is difficult in practice due to technical regulations on car taping, brand visibility and forcing to use designated type of a taximeter. The report raised an example from Denmark where the competition had decreased significantly due to taxi companies buying smaller players. Therefore the regulation would need an update so that officials would have tools to continuously monitor the competitive landscape and improving multi-homing while making sure consumer knows who is responsible for each segment of the ordered ride. Regarding taximeters the Finnish Competition and Consumer Authority report strongly advised to make two amendments. Firstly all fares should be forced to use taximeter, even the ones that are agreed in advance and are fixed. Secondly the law should clearly allow measuring the ride's distance and price with software applications as well. It was also suggested that the dynamic pricing mechanism where the fee changes based on demand, would be taken into account. These changes would level the playground for all players, lower the barriers of entry, improve consumer's safety and ease administrative work.

Traffic and communication ministry wrote a memo where it opened up the background for the envisioned amendments and the officials' view on the current problems of the taxi market. It requested feedback from private companies, associations, municipalities and other stakeholders. From the total 86 answers the ministry created a summary to support the political decision making (FI10). The summary was divided into six main themes: safety, quality, availability, pricing, preventing black market and dispatching centers.

Authorities' assessment on safety and quality in taxi market was seen overall correct and despite the problems safety was good in general. The feedback confirmed that the safety had decreased specifically in the transportation of special groups and in the interaction with them. Most of the existing taxi companies supported additional training of the drivers and emphasized ensuring drivers' language proficiency in Finnish and Swedish, local knowledge and general entrepreneur education.

According to the feedback, removing the regional quotas and on call requirement has hurt the availability in remote locations and smaller towns. On the other hand the areas with more dense population are over supplied by taxis. To find a cure to this problem the stakeholders suggest gathering more information and setting up standards by which the taxi and dispatching companies should report data to authorities. Taxi industry supported the idea about allowing the companies to agree together on common on call hours.

While the summary was criticized about having only half a year tracking period of the effects of the deregulation, especially traditional taxi companies emphasized the problem is bigger than the report by tax administration (FI07) implied. Majority of taxi companies thought that new technology would be cheaper than the old taximeters and the most important was that every player would have the same obligations. On the contrary the Finnish Taxi Association was strongly against using anything else than physical taximeter. Finnish Tax Administration also thought that old taximeter was the best way to document actualized rides but if applications would be allowed, they should



be enforced to gather information for industry monitoring. Oulu University research group INTERACT highlighted two requirements for the taximeter regulation: 1) set preconditions when physical taximeter is not required and 2) define what kind of information the application meter should gather from the consumer and tax administration point of view.

Majority of the respondents thought that officials did not have the full picture about the pricing after the 2018 reform of the transportation law. The reports had not taken into account the diversity of the new pricing structures nor the prices that dispatching centres had for phone ordering. Furthermore taxi entrepreneurs wanted more attention to the pricing of the taxis that do not use any dispatching services. Any settling of the prices between the players were seen problematic from the perspective of both competitive and EU law. While the requirement for showing a comparison price in the taxi window was good for the consumers in general it will still be difficult because of the versatile pricing structures that exist among the taxi entrepreneurs. Stakeholders did not think limiting the allowed pricing structures would be a solution to the pricing problems and it would hinder the development of new services. Moreover the maximum price was not either seen as an answer to the situation.

Larger part of the feedback was concerned about the controlling effect that dispatching centres have to the taxi market and that it has not been given the attention it deserves in the law making process so far. This view was also visible in taxi entrepreneurs' comments. Dispatching centres seem to have gathered a big portion of the ride agreements that are paid by Social Insurance Institution of Finland which form a significant share of the total taxi market. Additionally the dispatching centres are able to prevent the drivers of using competitors dispatching services. In general the activity of dispatching companies is interpreted as questionable from the competitive view point.

#### 4.4.2 Regulative legitimacy

Based on the different official reports and gathered feedback the government gave its amendment proposal for transportation services early 2020 (FI11). The amendment had four main goals: 1) to increase service safety and quality by enforcing a course for drivers who will serve special groups such as people with disability and adjusting the contents of the taxi driver exam, 2) ensure the availability of taxi services by giving officials tools to monitor where and when there is demand for taxis, 3) prevent black market with stronger requirements for tax payment visibility and entrepreneurial education and 4) clarify the pricing both from the consumer and authority point of view.

Table 3 lists the changes that affect to ride-sourcing platforms' ways of operating and their regulative legitimacy. For the sake of readability the laws have been named after the legislative ID: law on transportation services 320/2017, law on road traffic 729/2018 and law on vehicles 1090/2002. The table does not contain the changes or additions to the regulation regarding special groups since they are not considered target customers for ride-sourcing companies or their drivers due to their competitive tendering process requirements.

**Table 3:** Proposed changes in 2020 that affect the legitimacy of ride-sourcing platforms

Effect to ride-sourcing	Contents of the law text	Law	Clause
Makes it harder to recruit drivers	Finnish Transportation and Communications Agency will grant taxi license to an individual, based on application, who has Finnish business ID and has successfully accomplished entrepreneur course described in this law's section 6a	320/2017	6§
	Entrepreneur course for taxi transportation must include: - education on managing taxi company and legislation regarding taxation, accounting, salaries, social security, pension and insurance - minimum duration 21 hours - successful accomplishment requires accepted result on entrepreneur exam The course is organized by an organization who has been granted license by Finnish Transportation and Communications Agency	320/2017	6a§
	Taxi driver license is granted to a person who has successfully accomplished the taxi driver exam described in 25a§. . Finnish Transportation and Communications Agency can grant a temporary certificate on the taxi driver license upon request.	320/2017	25§
	Taxi driver exam proves that the candidate has sufficient information, skills and expertise to perform as taxi driver. The exam must have questions about helping the passenger, ensuring safety, special needs of different customer groups, customer service situations and factors affecting transportation and traffic safety. Finnish Transportation and Communications Agency is responsible of organizing the exam.	320/2017	25a§
	Taxi license holder is responsible for having a device that collects at least the following information on each ride in electronic format: - entrepreneur identification details - vehicle identification details - driver identification details - time and date, length and duration of the ride	320/2017	15a§
Feature requirements for platform and application	The owner of the personnel transportation license and dispatching service provider must give the information on the total price of the ride including taxes or the basis of how the price will be calculated before the ride starts. The total price or the pricing information must be clearly stated and must be easily seen outside the vehicle. If the ride has not been ordered in advance or a fixed price has not been agreed the price of the ride must be based on length and duration of the journey. The ride have extra fees such as starting and other additional fees which are known to the customer beforehand. The pricing principles must not change during the journey. If the ride has not been ordered in advance or a fixed price has not been agreed, the personnel transportation license holder must give the passenger price information, including taxes, on example journey which length is 10 kilometers and duration 15 minutes. This example journey pricing must be easily seen outside the vehicle. Finnish Transportation and Communications Agency must monitor pricing of the transportation services offered to passengers and define the price of the example journey. The price must be specified to such a level that charging more than that can be seen to deviate substantially from the	320/2017	152§

	<p>general price level of taxi transportation services. This price must be examined annually. If there is a disagreement whether the price was agreed specifically or not the service provider has to prove their claim on the matter. If the price was not specifically agreed the price cannot exceed the example price set by the authority.</p> <p>Finnish Transportation and Communications Agency must monitor the general development of the pricing of the transportation services regionally. The holder of a personnel transportation license and dispatching service provider have an obligation to give the pricing information regarding the services they have provided or mediated to Finnish Transportation and Communication Agency periodically without pleading to trade secrets.</p>		
	<p>Finnish Transportation and Communication Agency monitors the demand and supply of transportation services and evaluates the state and healthiness of the traffic system and reports about them regularly.</p> <p>Personnel transportation service provider has an obligation to, without pleading to trade secrets, periodically give the information about the provided or mediated services and the actualized data on demand categorized based on region and time.</p>	320/2017	179§
	<p>If the price of the ride is based on measuring distance or time during the journey, the vehicle must use a taximeter to define the price. The holder of the personnel transportation license is responsible for that during taxi transportation the vehicle has a taximeter or another device or system that reliably collects and stores the data described in 320/2017 15a§. The collected information must be stored in such a manner that the contents cannot be altered or viewed or printed without difficulties.</p>	1090/2002	25§
	<p>Finnish Transportation and Communication Agency defines the additional technical specification on the taximeter or another device or system mentioned in 25§.</p>	1090/2002	27a§
Driver guidance required	<p>The owner of the personnel transportation license is responsible for</p> <ul style="list-style-type: none"> <li>- passenger has right to pay in cash and the most common payment cards if a specific payment option has not been clearly stated during the ordering or booking the ride</li> <li>- taxi operating license or a copy of it must be in the vehicle when it is used for personnel transportation</li> </ul> <p>Driver of the vehicle is responsible for</p> <ul style="list-style-type: none"> <li>- vehicle has taxi operating license or copy of it</li> <li>- passenger can see the name of the license owner, contact details and the name of the driver</li> </ul>	320/2017	151§
Extra requirements and costs to drivers	<p>Vehicle that is used to taxi transportation must have visible taxi sign</p>	729/2018	155§

The training for special group transportation would be voluntary so that it would not create an unnecessary barrier of entry. On the contrary the entrepreneur training would be brought back as mandatory but it would be significantly lighter than what it was before 2018. Furthermore the drivers would be required a business ID to call for better accounting and in electronic form to give the tax office more accurate information on taxi ride transactions.

The amendment also contains physical equipment requirements for taxis. First the taximeter would still be required on rides where the price accuracy is based on the

length of the journey and time measurement. On fixed prices the taximeter would not be required. Nonetheless all taxis should have electronical system that gathers and saves the information defined in law: ride length, duration, used vehicle, driver name and date. Additional goal for this definition is to differentiate from the EU taximeter directive 2014/32/EU to avoid confusion. Second the taxis would again be required to use a light to help the consumers to identify them but it could be detachable to enable part-time driving too.

Government suggested that taxis would be required to put a note about example price for 10 kilometer and 15 minute ride and use certain pricing structure if the ride has not been ordered beforehand. This would affect rides that are hailed from taxi stop but not the ones ordered via web site, mobile application or phone. The proposal especially notes that this change would not prohibit dynamic pricing since the price can be determined in advance. In order to enable better monitoring of the price level the taxi companies and dispatching centers would be enforced to deliver price information to traffic and communication office.

The new amendment to transportation law would grant ride-sourcing companies regulative legitimacy to operate and use information technology to price their services before the ride takes place. However it would also introduce a slightly higher barrier of entry for new drivers.

#### 4.4.3 Legitimation efforts by Uber and other IT companies

Three entities from IT sector commented the law proposal: Intelligent traffic association ITS Finland, taximeter and ride journal software company Ewooks Oy and ride-sourcing company Uber Finland Oy. The first two were mainly concerned about the technology neutrality which in this case refers to a regulative barrier of entry that taximeter requisite creates especially in less densely populated areas (FI27, FI28). ITS Finland promoted enabling innovative mobile services and recognition of platform economy as one solution for answering to the demand of taxi services (FI27). Similarly Ewooks mentioned that balancing the taxi offering in rural areas requires support for sole traders and platform economy services (FI30). Ewooks also argued that GPS based solutions are more reliable and need less maintenance than physical taximeters and are mainly income redistribution for the traditional taxi companies.

On general note Uber underlined the stated problems of the taxi market in the official reports have not been related to them. Also mobility applications such as Uber do not have enough leeway in cases where price is agreed in advance. They emphasized that the law needs to be flexible on situation if the customer changes the destination during the ride. The second concern about the proposal that Uber highlighted was the protection of personal data if taxi and dispatching companies are required to deliver data about the actualized ride data. In order to be compatible with European Union's General Data Protection Regulation (GDPR), the company suggested that office of the data protection would look into the matter too. (FI26)

Uber stressed that the new amendment should recognize the different nature of rides hailed from taxi stop and the ones ordered in advance. The company promoted Estonia's model from 2017 which protects the consumer who hails the taxi from the street but also enables the technological development and full use of new mobile services. From Uber's point of view, supported by official reports (FI09), the consumer safety problems have not been in the pre-ordered rides and therefore the additional regulative measures should not target those. Extra education for the special groups was welcomed but should

consider only the vehicles fitted for that purpose. In general Uber saw that the companies offering ride services should already have incentives to keep the education of the drivers on good enough level and no extra mandatory training should be necessary. (FI29)

## 5. Findings

The results of the study paint a picture about how protective legislation and incumbents struggle to adapt to new technological innovation. Similar to other countries, the resistance for the new players with overwhelming competitive advantage has been fierce also in Finland throughout the years. The findings gave insight to both of the research questions: how ride-sourcing platforms are regulated in Finland and how the same companies have sought to gain regulative legitimacy. The results are discussed separately in the following subchapters.

### 5.1 Ride-sourcing regulation in Finland

Before the reform of transportation law in 2018 the ride-sourcing platforms were practically illegal because of 1) strict entry and pricing regulation, 2) physical equipment requirements and 3) driver experience and education requirements. Technically ride-sourcing was not illegal but the various regulative constraints such as the requirement for a physical taximeter made it impossible to benefit from the key competitive advantages of digital platforms: technological innovation of matching passengers and drivers based on algorithms and not needing to employ the drivers directly. Summary of how the Finnish legislation has regulated the ride-sourcing platforms during 2007-2020 is presented in table 4 where bolded entry states a change in the state of the regulation.

**Table 4:** Regulative constraints affecting ride-sourcing platforms in each legislative stage

Before the reform of law on transportation services 1.7.2007 – 30.6.2018 (FI03, FI20)	After the reform of law on transportation services 1.7.2018 – 31.12.2020 (FI03, FI24)	Abandoned amendment to law on vehicles 15.3.2019 (FI12)	Proposed amendment of law on transportation services 1.1.2021 onwards (FI11)
Only certified taximeter device allowed to measure distance and price	<b>Also other devices or systems can be used to measure distance and price during the ride but they have to be as accurate and reliable as taximeter but should at the same time offer sufficient reliability of measurement data and information security. Unclear what the systems are and how they relate to EU directive.</b>	<b>Clarify when "other devices or systems" can be used and what they are in relation to EU directive</b>	<b>Taximeter or equivalent device is not needed if price is given and agreed in advance. No contraction to EU directive.</b>
Fixed pricing model and maximum price	<b>No pricing model or max price requirement if price is agreed in advance. If no fixed price is agreed beforehand the customer has to be informed about how the prices is being calculated.</b>		No pricing model or max price requirement if price is agreed in advance. If no fixed price is agreed beforehand the customer has to be informed about how the prices is being

			calculated.
Fixed and regional taxi license quota issued by authorities	<b>No license quota or regional limitations</b>		No license quota or regional limitations
Prior 6 months experience as taxi driver required	<b>No previous experience required as taxi driver</b>		No previous experience required as taxi driver
No requirements to share information with officials	<b>Ambiguous ride information sharing requirements with officials</b>		<b>Specified ride information sharing requirements with officials</b>
No business ID required	No business ID required		<b>Business ID required</b>
Entrepreneur course 120 hours	<b>No entrepreneur course</b>		<b>Entrepreneur course 21 hours</b>
Taxi driver exam	<b>Lighter taxi driver exam</b>		<b>Tightened taxi driver exam</b>
Taxi sign required	<b>No taxi sign required</b>		<b>Taxi sign required</b>

After the reform of 2018 the regulation on ride-sourcing became more permissive due to significantly lighter barriers of entry and removal of physical equipment and educational requirements. It made it easier for Uber to attract drivers since the taxi driver license policy was lightweight. Yet it still was far from the ideal situation where anyone could just download a mobile application and start driving people around without bureaucracy. Furthermore the authorities required adjustments to the information systems for information sharing purposes which as seen as a business risk from the trade secrets point of view. Finally the Finnish legislation proved to be dispersed regarding the taxi market since not all limitations were removed in reform of transportation law. Afterward the law makers found out that the phrasing for measuring duration and length of the ride differed in two separate laws and made the interpretation so difficult that it hampered the use of new innovative technologies even in traditional taxi companies.

The amendment process started in the beginning of 2020 seeks to clarify the contradicting interpretation of the two legislations, improve consumer protection and introduce service quality especially in the transportation of the special groups. From ride-sourcing platform point of view the amendment offers both good and bad news. Taxi meters would not be required in rides where the price has been agreed in advance and data from the journey is stored in electronical format. The law would specify which information should be stored about the journey and finally recognize the difference between rides hailed from street or taxi stop and rides pre-ordered through applications. Additional protective measure regarding pricing would only affect the former group.

However the law would also require vehicles to have physical taxi sign, though detachable, when on duty. The cumbersome entrepreneur course removed earlier in the reform of transportation law would come back in a bit lighter form but would still increase the threshold of becoming a taxi driver.

## 5.2 Uber's legitimization strategies for gaining regulative legitimacy

The three different law making processes, the complete reform during 2015-2017, taxi meter amendment 2018 attempt and the 2020 amendment showed how ride-sourcing companies battled to affect to the phrasing of the new laws in their favor. The results of Uber's latest comment document (FI26) could not be evaluated since the law process was still unfinished at the time of writing this thesis. Table 5 sums how the ride-sourcing platforms commented the Finnish government proposals during the three different law processes.

**Table 5.** Summary of the legitimization arguments of Uber during the three law making processes

<b>Reform of law on transportation services (FI15)</b>	<b>Amendment of law on vehicles (FI13)</b>	<b>Amendment of law on transportation services (FI26, FI29)</b>
Show support for the deregulation plans in general	Promote allowing technology neutral solution	Promote allowing technology neutral solution
Emphasize the benefits of ride-sharing for consumers and society	Promote how new technology improve consumer safety vs the old	Emphasize how the new platform economy provides one solution to taxi market problems
Promote the more effective transportation and decrease in CO <sup>2</sup> emissions	Promote how new technology are more reliable and accurate than the old	Deny the connection of the current market disturbances to platform economy
Advice dropping income limit and taxi license requirement	Show certificate from US officials that proves the accuracy and reliability of the new technology	Show concern towards the protection of personal data (GDPR)
Point possible conflicts with EU directives		Require clarification of how the ride is ordered (hailing from street vs preordering)
Concerns about information sharing would require disclosing sensitive data such as trade secrets		Claim that the market disturbances are not connected to preordering but hailing from street
Require specific features from match-making / dispatching platforms		Promote extra driver education only for vehicles equipped for transporting special groups
		Emphasize that ride-sourcing platforms are incentivized to educate their drivers

The following subchapters discuss the legitimization arguments per law process in detail and what were the results of Uber's arguments in the law proposal comments. The full list of the deducted arguments can be found on Appendix 2.



### 5.2.1 Comments on the reform of law on transportation services

Significant majority, 14 of the total 19 recognized arguments, were found fully or partially from the final proposal or were removed as suggested by Uber. These arguments along with the one partially found argument are listed in table 6. The partially found argument (A17) wanted to make sure ride-sourcing companies would be able to protect their data from competitors. Yet the proposal disallowed discrimination but gave the data owner possibility to charge for the access to it. All normative based and almost all value based classes were found and the not found arguments were not showstoppers from ride-sourcing platform's business model point of view.

**Table 6.** Uber's found and partially found arguments in the reform of law on transportation 2016 proposal

Argument class (Kaganer et al., 2010)	Argument (ID)	In proposal
Implementation - successes	Better utilization of private vehicles and decrease the need to own a car and parking space requirements, refer to a two blogs about cars being parked 95% of time (A05)	Yes
Implementation - challenges	Taxis and ride-sharing can co-exist, refer to American Public Transit Association report (A06)	Yes
Value - operational - rationale	Service providers responsibility to enforce the driver's requirements in Section 3 clause 2 must be adhered (A11)	Yes
Value - business - rationale	Productivity of taxi services increases (A04)	Yes
	Technology neutral measurement of the price of the journey (A09)	Yes
	New employment options and economic growth (A10)	Yes
	It should be easier to become a taxi entrepreneur (A14)	Yes
	Law should take into account the requirements of different transportation services regarding the "essential information" (A16)	Yes
	Service providers should be able to put restrictions and rules for accessing their ride data (A17)	Yes, partially
	Law should clearly state that information sharing does not require to disclose personal information, trade secrets or sensitive technical information (A18)	Yes
Normative - transformation	Digitalization improves the reachability of the transportation services (A01)	Yes
	Removal of license quotas improves employment and decreases traffic congestion (A07)	Yes
	Removing the price ceiling improves the reliability of transportation (A08)	Yes
	Advice removing the planned 10000€ annual income limit (A12)	Yes

The not found arguments are shown in Table 7. Two of them were mainly background information on Uber (A02, A03). One argument (A13) aimed to create extra regulation for Uber's competitors, the traditional taxi companies, one (A15) tried to extend the taxi

operations to package delivery market and the final one (A19) tried to prevent extra development costs from the information sharing obligations.

**Table 7.** Uber's arguments not found in the reform of law on transportation 2016 proposal

Argument class (Kaganer et al., 2010)	Argument (ID)	In proposal
Diffusion - organizational	Uber operates in 400 cities, 69 countries and 22 EU Member States. Billion rides was reached end of 2015. Five million rides pers day. One million drivers world wide. (A03)	No
Diffusion - end user	Uber has been downloaded over 100000 Finnish persons. UberPOP has tens of thousands users in Helsinki area. (A02)	No
Value - financial - rationale	Too wide information sharing obligations might create barriers of entry due to development costs (A19)	No
Value - operational - rationale	Law should obligate taxi entrepreneur to disclose tax and transaction information to authorities per request (A13)	No
Value - business - rationale	Taxis should be allowed to transport packages (A15)	No

Scrutinizing the strategy classes shows the early stages of the new innovation in the lack of regulative compliance strategies used. Majority of the legitimization discourse focuses on the business value such as making it easier to start driving a taxi or making too wide obligations for information sharing could create barriers of entry due to high development costs. Another largely used strategy was normative transformation where Uber highlighted the ongoing transformation of the taxi industry with the help of technological innovations. Only two arguments were about system functionality defining the ride-sourcing applications' key features and attributes. Other recognized strategies were related to diffusion, implementation and financial value.

### 5.2.2 Comments on amendment of law on vehicles

Four arguments could be considered found from the proposal for the amendment of the law on vehicles. They emphasized the benefits of technology neutrality (A20), improved consumer safety (A21) and distinguishing Uber's application from the traditional taximeter with the help of UK court decision (A26). Also traditional taximeters negative effect on taxi market was pointed out (A24) as the purpose of the law was to enable software applications as a measurement system to lower the barrier of entry.

Two arguments were partially found. Uber wanted the regulation to focus on letting the consumer know the final price of the journey instead of weighing the different technological options (A25). Indeed the final proposal focused on the final pricing but still kept the taximeter as the reference level on measuring the duration and length of the journey using comparison "as good as taximeter". Secondly some of the Uber applications features (A27) ended up into the final proposal but not all.

These found and partially found arguments are shown in table 8.

**Table 8.** Uber's found and partially found arguments in the amendment of law on vehicles 2018 proposal

Argument class (Kaganer et al. (2010))	Argument (ID)	In proposal
System - functionality	Regulation should focus on making sure the consumer knows how much the ride is going to cost instead of specific way of measurement (A25)	Yes, partially
	List of features why Uber application is more advanced than traditional taximeter (A27)	Yes, partially
Implementation - successes	Technology helps tourists and improves overall consumer safety (A21)	Yes
Normative - transformation	Technology neutral measurement of the price of the journey (A20)	Yes
	Physical taximeter would decrease the diversity of transportation services (A24)	Yes
Regulative - compliance	Uber is not a taximeter, refer to UK court decision (A26)	Yes

Five of the arguments were evaluated as unsuccessful. which are presented in table 9. The arguments tried to justify the legitimation with lowering the barriers of entry, improving the competitive landscape and referring Uber applications technical features and certificate from US authorities.

**Table 9.** Uber's unsuccessful arguments to amendment of law on vehicles 2018

Argument class (Kaganer et al. (2010))	Argument (ID)	In proposal
System - functionality	Description of how Uber's application measures length and duration of the ride (A29)	No
Value - business - rationale	Lower the barrier of entry for new drivers (A22)	No
	Improve driver's ability to use multihoming, refer to Finnish Competition and Consumer Agency's comment (A23)	No
Regulative - compliance	Uber's application benefits for consumer, refer to UK court decision (A28)	No
	Uber's application is reliable and accurate, refer to 1) NCWM regulation in United States and 2) Certificate of Approval from the California Type Evaluation Program (A30)	No

Argument strategies were split between implementation successes, normative transformation, system functionalities, business value and regulative compliance. Almost third of the argument falling into regulative compliance class indicate that the industry had evolved since the first legitimation attempt in the reform of law transportation in 2016. The results show that effort was made to prove that Uber's application was "as good as taximeter".

### 5.2.3 Comments on amendment of the law on transportation services

Total 47 arguments were recognized from the Uber's official answer to the assessment memo (FI29) regarding the amendment of the law on transportation. Only 15 of these were considered found from the proposal. These arguments shown in table 10 were aimed to achieve competitive protection, clarify the role between hailed and pre-ordered

rides, well-defined information sharing requirements and emphasizing the need to improve public organizations transportation purchasing policies. Only normative, system and value based classes were represented in proposal.

Uber stressed consumer protection and privacy (A32, A59, A42), competitive risks (A45), avoiding barriers for new drivers (A55), lightweight bureaucracy with information sharing requirements (A52) and easily understandable specifications for information systems (A51). Furthermore the ride-sourcing company criticized public organizations' purchasing processes and tried to steer the officials' regulative efforts from ride-sourcing applications to its main competitors, traditional taxi companies (A35, A39, A33, A64).

**Table 10.** Uber's arguments found in the assessment memo of the law on transportation 2020

Argument class (Kaganer et al. (2010))	Argument (ID)	In proposal
System - functionality	Extra educational requirements should be targeted for drivers who use vehicles equipped for transporting special groups (A36)	Yes
	Data driven decision making should use only aggregated data in order to protect privacy and competitive advantages (A43)	Yes
	More accurate definition of minimum information that has to be supplied for officials would help current situation (A52)	Yes
	Uber has transformed to pricing rides in advance in Finland. This offers the greatest possible transparency for consumer and is an example how technology improves user experience (A60)	Yes
System - configuration	Possible taxi sign should be low cost, easy to install and detachable (A56)	Yes
Value - business - rationale	Law should target potential extra requirements only for rides hailed from street (A40)	Yes
	Taxi companies ability to agree on on call duties pose risks of decreasing competition (A46)	Yes
	Pricing regulation should be consired only on rides hailed from street (A65)	Yes
Value - business - success story	Estonian taxi regulation that protects consumer and at the same time enables new technology (A33)	Yes
Normative - transformation	Consumer protection and safety of passengers must be ensured (A32)	Yes
	Law should recognize the difference between hailing a taxi from street and pre-ordering it (A34)	Yes
	Officials should investigate the availability on more accurate level and think about municipalities role in buying complementary taxi services (A42)	Yes
	Kela should change the way it buys taxi services (A47)	Yes
	Municipalities should consider outsourcing the transportation services to fix availability issues in remote areas (A48)	Yes
	Supplying information for officials should utilize technology instead of being manual labor (A53)	Yes

Additionally 5 arguments fell in to the category of partially found. They addressed black market problems (A50, A57), regulative monitoring (A58, A38) and pricing structure regulation (A63) and listed in table 11.

**Table 11:** Uber's arguments partially found in the assessment memo of the law on transportation 2020

Argument class (Kaganer et al. (2010))	Argument (ID)	In proposal
System - functionality	Instead of regulation applications on precise level the officials should concentrate on tax information collected from dispatching services (A59)	Yes, partially
Implementation - successes	Digital services such as Uber provide a good way to decrease black market. All payments are electronic and no cash is involved. All Uber drivers are required taxi license and taxi driver license (A51)	Yes, partially
Value - business - rationale	Field monitoring should be targeted to sectors and providers based on feedback and complaints (A39)	Yes, partially
	Pricing structure should not be regulated (A64)	Yes, partially
Normative - transformation	Black market problems should be addressed with digital application (A58)	Yes, partially

Over half of the arguments, 27, never found their way to the proposal by the Finnish government. These arguments are listed in table 12. Their classes ranged from end user diffusion, implementation successes, both normative moral and transformation to regulative compliance, system functionality and value business. Argument A48 could have been put into alliance – adopter category but was finally considered to be more of an implementation - success story.

**Table 12:** Uber's arguments not found in the assessment memo of the law on transportation 2020

Argument class (Kaganer et al. (2010))	Argument (ID)	In proposal
System - functionality	Uber technology ensures safety e.g. by warning about bike lanes (A35)	No
	Uber ensures safety e.g. evaluation and feedback by users themselves (A38)	No
	Best possible transparency for consumer is achieved by giving the total price of the ride in advance instead of the price of example ride (A63)	No
	In Uber's service the technology helps the driver with choosing proficient route, helps with communication and giving feedback for both drivers and customers (A66)	No
	Taxi driver exam's language skill requirements should not be increased (A69)	No
Implementation - successes	City of Innisfil has bought the public transportation from Uber. Finland should consider similar solution (A49)	No
	Driving Uber has offered opportunities for social climbing and job opportunities especially among immigrants. Reference to Uber's driver's unemployment background in Portugal,	No

	Belgium and France (A71)	
Diffusion - end user	The share of foreign language speaking people of the total population in capital area is projected to increase to 23% until 2030 (A70)	No
Value - financial - rationale	Lowering insurance costs would lower the threshold to enter the taxi market (A50)	No
Value - operational - rationale	There is no need for testing the driver's expertise in practice. Companies and dispatching services are incentivized enough to take care of the service quality (A67)	No
Value - business - rationale	Entering the market should not be tightened with additional license requirements (A37)	No
	Data collection for officials should be light weight as possible. New obligation may harm small entrepreneurs significantly (A44)	No
	Obligation to use physical taximeter would decrease competition, refer to Competition and Consumer Agency (A54)	No
	Prerequisites for application based service providers should not be hindered in order to ensure healthy competition and market (A55)	No
	Curriculum for drivers would increase the threshold to enter the market. Officials should investigate the quality of transportation more carefully before adding new obligations (A72)	No
	Costs would increase significantly if companies would need to ensure the education of drivers on a level specified before 2018 reform and would create artificial barrier to use multihoming (A73)	No
	Essential prerequisites for working competition and market development is making sure multihoming is supported. Monitoring the market should focus to this too (A75)	No
Normative - moral	Consumer safety should be investigated especially in traditional taxi services and transportation of special groups (A31)	No
	Survey results provide correct overview about the availability of taxi services (A41)	No
Normative - transformation	Due to the time period the effects of the transportation law reform cannot be evaluated fully yet. New operation models may still develop to remote areas (A45)	No
	Using external identifiers have unlikely effect on monitoring the industry. Monitoring should be based on technology such as identifying the registration plate (A57)	No
	Statistic Center's statistics on pricing development is not accurate and does not take into account lower prices options (A61)	No
	The way statistics are collected today does not fit in monitoring the overall status of developing market (A62)	No
	Tightening the taxi driver exam requirements would increase unemployment especially among immigrants and long-term unemployed (A68)	No
Regulative - compliance	Uber drivers are not required to use only Uber for getting rides. Regulation should support many kinds of working forms and their coupling (A74)	No

	There is no need for clarifying the fault and compensation regulation (A76)	No
	There is no need for specific multihoming regulation because current legislation allows it already. Monitoring will ensure this will be possible in practice (A77)	No

Among the not found arguments were efforts to build positive image about the benefits of ride-sourcing to the society (A69, A48, A70) but mainly guidance to legislators not to create growth decreasing regulative mechanisms that might have negative consequences to the taxi market (A67, A68, A36, A43, A53, A54, A71, A72). Other notable concern for Uber was taxi market monitoring and its practical measures (A56, A61, A75). Lastly the arguments showed emphasis on ride-sourcing applications features and advantages over traditional systems (A73, A34, A37, A62, A65).

Uber also used the opportunity to comment the law proposal which was made based on various stakeholders' responses to the assessment memo. In their response (FI26) shortly after the proposal came public Uber focused on two aspects: pricing and the obligations to share information with officials. Identified arguments are listed in table 13.

**Table 13:** Uber's arguments used to influence the amendment of law on transportation 2020 proposal

Argument class (Kaganer et al. (2010))	Argument (ID)	In proposal
System - functionality	Information sharing should require only aggregated and periodical data from service providers (A83)	Unknown
Value - operational - rationale	Current law proposal does not take into account situations where customer changes e.g. destination during journey. In cases with external changes emerge, service provider should be able to change a price (A80)	Unknown
Normative – moral	There are situations that justify changing the price of the journey even if it is agreed in advance (A79)	Unknown
	Information sharing requirements should take into account individual user's interest and privacy (A82)	Unknown
Normative - transformation	Mobility applications give opportunity to wider group of people to use transportation services (A81)	Unknown
Regulative - compliance	The pricing functionality of Uber's platform is aligned with government proposal (A78)	Unknown
	Information sharing requirements should adhere GDPR regulation (A84)	Unknown

At the time of writing this thesis the proposal had not been addressed in Finnish parliament so it cannot be said which of them ended to the final proposal.

## 6. Discussion

This thesis aimed to answer the research questions of how the ride-sourcing platforms are regulated in Finland and what kind of legitimacy strategies they use to gain regulative legitimacy. This chapter first discusses the development of the ride-sourcing regulation in Finland, then the legitimization strategies surfaced by the IT legitimization taxonomy by Kaganer et al. (2010) and finally how the findings of the study relate to previous literature.

### 6.1 The development of ride-sourcing regulation in Finland

The changes in the Finnish regulative landscape toward ride-sourcing show the same signs as in other countries so far. Two-sided market winner-take-all competition fuels aggressive strategies employed by ride-sourcing companies and create pressure for regulators to address both deregulation of taxi market and enhance antimonopoly tools. At the same time incumbents of the taxi market have tried to hinder technology companies' legitimization efforts by any means available.

Despite the academic consensus referring to ride-sourcing (Frenken & Schor, 2017) with companies such as Uber and Lyft, the term ride-sharing is still present both in Uber's as well as in the Finnish authorities' terminology. Yet in the actual government proposals and in Uber's arguments to the given proposals the phrase sharing was not present.

Finnish taxi legislation was quite similar to US (Dempsey, 1996) and other European countries (Frazzani et al., 2016) before the reform. Also the recorded problems after the reform have been similar to the experiences in United States (Dempsey, 1996) especially around Helsinki-Vantaa airport (Uhari, 2018). After making similar mistakes as in US the Finnish authorities are trying to carefully reregulate taxi market the way Moore and Balaker suggested (2006). The ongoing amendment process in Finland seeks to make it slightly harder to recruit drivers, require new features from the central platform and mobile application in addition to introducing small starting costs to drivers and requiring the platform company to better instruct their drivers.

### 6.2 IT legitimization taxonomy as a lens to regulative change process

The study made an attempt to categorize Uber's legitimization strategies according to the IT legitimization taxonomy by Kaganer et al. (2010). The original taxonomy was created from a setting where a new industry product sought legitimization in the eyes of the potential customers and regulative legitimacy was only one of the strategies used. In this study the whole purpose of the legitimization strategies were to gain regulative legitimacy. The potentials buyers in this case are the law makers, politicians and officials. Despite the difference in the research setting the study shows that the IT legitimization taxonomy works well as the framework for categorizing the regulative legitimization efforts of an IT company that seeks to enter a new market protected by existing legislation.

Not all strategies identified by Kaganer et al. (2010) were identified in this study. This was partly due to the different nature of the information system and partly due the target



organization and environment. The authors studied the vendor discourse around a new clinical information system to sell it to new organizations whereas this study investigated the efforts of a ride-sourcing company during a law making process in the hopes of swaying the law makers and to forge favourable legislation. Additionally regulative legitimacy was only one of the 26 discursive strategies identified by Kaganer et al. compared to this study where Uber used much of the IT taxonomy strategy arsenal to gain solely regulative legitimacy.

The original strategies included a few medical related categories, value – clinical – rationale and value – clinical –success story which were not found and were not expected to be found in ride-sourcing context. The other categories missing were financial, operational and IT success stories, IT rationale plus alliance and reputation related strategies. Given that ride-sourcing has existed already a decade it is peculiar that Uber did not rely more on the success stories and alliances. Could it be that the winner takes it all competition does not favour partnerships in general or that Uber has grown so big that it does not forge those anymore? Given the background material found from Finnish newspapers and the ongoing disputes on employee rights elsewhere in the world it is understandable that the reputation strategies were also not present in the findings.

### 6.3 Uber's strategies in Finland compared to previous literature

In his research Suchman (1995) suggested that an organization has three different legitimacy building strategy groups to select from when building legitimacy: the organization can 1) adapt to the existing rules made by incumbents, 2) carefully choose a target environment in order to find a favourable audience or 3) manipulate the environment in the hopes of building new audience and sympathetic beliefs. Uber's efforts in Finland fell into Suchman's (1995) third category.

The regulative compliance category identified by Kaganer et al. (2010) was only found in its original form in the second law process when Uber used the certificate of approval from the California Type Evaluation Program. This suggests that ride-sourcing applications do not have many relevant certificates recognized by national agencies yet they could lean on for legitimacy. While ride-sourcing platforms have been around already a decade their legal position is still unstable. Regardless of that Uber tried to build legitimacy with different discourse strategies in Finland and used various documents loosely where applicable while arguing for the benefits of ride-sourcing applications regulative compliance.

During the reform of the Finnish law on transportation Uber initially emphasized how opening the taxi market would lead to better services and quality for the consumers despite the negative evidence found from previous research (Moore and Balaker 2006). They also argued that keeping the taxi license quota would prevent decreasing traffic congestion and private car ownership but also this has been shown to be untrue at least in the short run (Guo, Li & Zeng, 2019). Due to the chosen material collection methods this study was unable to capture the gradual social embedding activities suggested by Fan et al. (2019) and Tseng and Chang (2019) but it is very likely that such efforts still took place.

Key competitive advantage of the ride-sourcing companies is not to employ drivers or own vehicles themselves and therefore saving considerably in employee costs and capital expenses (De Stefano & Aloisi, 2018; Thelen, 2018). Interestingly this did not come up in the official documents at all but given the recent development of labor law

disputes in Europe (Booth, 2020; Rosemain & Vidalon, 2020) and in US (Ivanova, 2020) it is likely that similar discussions will start in Finland too. The fight over the legitimacy of ride-sourcing platforms in Finland is far from over and the next battle already awaits around the corner. Additionally the labor law issues do not only consider ride-sourcing companies but the whole gig economy where digital platforms try to utilize individual's work effort as subcontractors instead of employees.

From sustainable business perspective the relentless seeking for growth through network effects has still not been effective for Uber since the company has never made profit yet (Uber, 2020c). That and the heating labor law disputes give credit to the forecast by Goletz (2019) where self-driving cars are the only option for ride-sourcing companies to become profitable and survive.

## 7. Conclusions

This thesis aimed to answer the research questions of how are ride-sourcing organizations regulated in Finland and what kind of legitimacy strategies they use to gain regulative legitimacy. First it tells the story of how the closed taxi market in Finland has opened up to welcome the new ride-sourcing platforms after a few missteps. Second it demonstrates how the IT legitimacy taxonomy by Kaganer et al. (2010) can be used to understand the legitimation strategies of a private organization during a law making process in the hopes of establishing regulative legitimacy in the future.

The study revealed how ride-sourcing platforms were illegal before the reform of transportation law in 2018. However companies such as Uber still started the operations in the country already 2014. This shows that the digital platforms' typical race for the network effects was also present in Finland and contributed to the hasty reform process of the Finnish laws on transportation. Deregulation process of the taxi market in Finland took similar turns as witnessed in US before the new millennia and before ride-sourcing even existed. The Finnish regulation today allows ride-sourcing companies to operate in Finland with the prerequisite that the final price is agreed with the customer beforehand. Additionally it obligates the platform companies to provide the officials with specified data about the actualized rides periodically. The drivers offering rides in the two-sided marketplace have to apply for taxi driver license, have a business ID and successfully pass entrepreneur course and taxi driver exam. Finally the cars on duty must have at least detachable taxi sign.

During the three law processes Uber commented each of them. In first reform of the law on transportation services in 2018 and the last one, still pending approval from the parliament 2020, Uber was able to lobby business critical items in their favour. The second process, amendment on law on vehicles, was abandoned because too little time had passed after the 2018 reform came effective. The arguments that either were not used in government's proposal were not critical for ride-sourcing. In the latest, amendment on law on transportation, a few already removed barriers of entry were brought back. However these probably will not pose significant business threat for ride-sourcing companies and the overall law became much clearer for them. Despite the favourable conditions today a bigger issue is bubbling under the surface in the form of labour law. The key competitive advantage of digital platforms mediating work is the lack of employment costs. In big countries such as France, UK and US the court verdicts have been adverse for two-sided marketplaces so far and similar disputes can be expected in Finland.

This study has several practical implications. Firstly it gives an overview of the regulative risks in Finland for a company that plans to enter in ride-sourcing or gig platform market in general. Secondly it shows the benefit of building alternative business models for scenarios where the law makers have to make adjustments to their initial deregulation decisions instead of betting too much into one model. Thirdly it raises the question of how much the platform economy can save in the employee costs before it hurts the business and the welfare of the society it seeks to gain profit from in the first place. Finally it provides evidence to law makers that despite the cultural differences there are lessons to be learned from the similar deregulation efforts done in other countries.

The research has several limitations. Firstly the collected material only contained secondary data as no interviews were made. This might leave important insights about ride-sourcing companies' attempts and strategies to affect the law making hidden. Secondly focusing only to Uber's comments on the law proposals gives the impression that all successful arguments were due to Uber's efforts. It is likely that at least some of the arguments were shared by other organization affected by the law proposal too. Thirdly since the study did not compare Uber's arguments to original documents which Uber responded to in 2016, it cannot be said if the arguments were made up by officials which Uber then leant into or if they were devised by Uber.

Given the limitations the future research should try to interview the key stakeholders working at Uber Finland at the time of the law processes who were actively trying to influence decision makers in order to learn detailed information on the legitimation strategies. Additional interesting research avenue would be to investigate what kind of legitimation strategies Uber and other ride-sourcing companies have used in other Nordic countries and compare them to the results of this study. With the help of larger case data the IT taxonomy of Kaganer et al. (2010) could be transformed to better to the angle of influencing law making processes.

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## Appendix 1

ID	Topic	Type	Country	Date	Accessed	Link
FI01	Liikennekaari - Laki liikenteen palveluista LVM076:00/2015 säädösvalmistelu	Law proposition	Finland	6.11.2015	24.8.2020	<a href="https://valtioneuvosto.fi/hanke?tunnus=LVM076:00/2015">https://valtioneuvosto.fi/hanke?tunnus=LVM076:00/2015</a>
FI02	Hallituksen esitys liikennekaareksi ja eräksi siihen liittyviksi laeiksi HE 161/2016 vp (original 2016 Act)	Law proposition	Finland	22.9.2016	24.8.2020	<a href="https://www.eduskunta.fi/FI/vaski/HallituksenEsitys/Documents/HE_161+2016.pdf">https://www.eduskunta.fi/FI/vaski/HallituksenEsitys/Documents/HE_161+2016.pdf</a>
FI03	Act on Transport Services	Law	Finland	24.5.2017	25.8.2020	<a href="https://www.finlex.fi/fi/laki/alkup/2017/20170320">https://www.finlex.fi/fi/laki/alkup/2017/20170320</a>
FI04	Liikennepalvelulain seurantaraportti	Report	Finland	19.1.2018	25.8.2020	<a href="http://julkaisut.valtioneuvosto.fi/handle/10024/161242">http://julkaisut.valtioneuvosto.fi/handle/10024/161242</a>
FI05	Vastauksia kysymyksiin liikennepalvelulain vaikutusten seurannasta	Press release	Finland	24.3.2019	25.8.2020	<a href="https://www.lvm.fi/-/vastauksia-kysymyksiin-liikennepalvelulain-vaikutusten-seurannasta-1002877">https://www.lvm.fi/-/vastauksia-kysymyksiin-liikennepalvelulain-vaikutusten-seurannasta-1002877</a>
FI06	Liikenne- ja viestintäministeri Marin: Taksisääntelyä uudistetaan ja ongelmiin puututaan	Press release	Finland	1.7.2019	25.8.2020	<a href="https://www.lvm.fi/-/liikenne-ja-viestintaministeri-marin-taksisaantelya-uudistetaan-ja-ongelmiin-puututaan-1015111">https://www.lvm.fi/-/liikenne-ja-viestintaministeri-marin-taksisaantelya-uudistetaan-ja-ongelmiin-puututaan-1015111</a>
FI07	Näkökulmia taksialan harmaaseen talouteen uuden liikennepalvelulain aikana	Report	Finland	1.1.2020	24.8.2020	<a href="https://www.vero.fi/globalassets/harmaa-talous-ja-talousrikollisuus/laajuus/kuvat-videot-ja-tiedostot/2020_01-n%C3%A4k%C3%B6kulmia-taksialan-harmaaseen-talouteen-uuden-liikennepalvelulain-aikana.pdf">https://www.vero.fi/globalassets/harmaa-talous-ja-talousrikollisuus/laajuus/kuvat-videot-ja-tiedostot/2020_01-n%C3%A4k%C3%B6kulmia-taksialan-harmaaseen-talouteen-uuden-liikennepalvelulain-aikana.pdf</a>
FI08	Liikennepalvelulain muuttaminen VM025:00/2019	Statute preparation	Finland	28.1.2020	24.8.2020	<a href="https://valtioneuvosto.fi/hanke?tunnus=LVM025:00/2019">https://valtioneuvosto.fi/hanke?tunnus=LVM025:00/2019</a>

FI09	Kilpailu- ja kuluttajaviraston taksimarkkinat selvitys	Report	Finland	21.1.2020	25.8.2020	<a href="https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/ee53559d-a2d8-4dbc-8ee2-2fed339774da/RAPO RTTI_20200121071436.pdf">https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/ee53559d-a2d8-4dbc-8ee2-2fed339774da/RAPO RTTI_20200121071436.pdf</a>
FI10	Päivitetty lausuntoyhteenveto taksisääntelyn toimivuuden arviomuistiosta	Report	Finland	28.4.2020	25.8.2020	<a href="https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/159e9483-164e-41b5-9a00-03c7aaddb749/YHT EENVETO_20200428080026.pdf">https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/159e9483-164e-41b5-9a00-03c7aaddb749/YHT EENVETO_20200428080026.pdf</a>
FI11	Hallituksen esitys eduskunnalle laeiksi liikenteen palveluista annetun lain, tieliikennelain 155 §:n sekä ajoneuvolain 25 ja 27 a §:n muuttamisesta	Law proposition	Finland	11.6.2020	24.8.2020	<a href="https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/1f3ddc59-ad86-4768-a166-ab19b0303009/KIRJ E_20200611064812.PDF">https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/1f3ddc59-ad86-4768-a166-ab19b0303009/KIRJ E_20200611064812.PDF</a>
FI12	Hallituksen esitys HE 86/2018 vp (taksamittari)	Law proposition	Finland	13.6.2018	27.8.2020	<a href="https://www.eduskunta.fi/pdf/HE+86/2018">https://www.eduskunta.fi/pdf/HE+86/2018</a>
FI13	Asiantuntijalausunto - Uber, HE 86/2018 vp (official comment)	Comment on law proposition	Finland	16.10.2018	24.8.2020	<a href="https://www.eduskunta.fi/FI/vaski/JulkaisuMetatieto/Documents/EDK-2018-AK-214124.pdf">https://www.eduskunta.fi/FI/vaski/JulkaisuMetatieto/Documents/EDK-2018-AK-214124.pdf</a>
FI14	Uberin ohjeet taksiluvan hakemiseen	Guide	Finland	3.9.2020	3.9.2020	<a href="https://www.uber.com/fi/fi/drive/requirements/get-a-license/">https://www.uber.com/fi/fi/drive/requirements/get-a-license/</a>
FI15	Uberin lausunto; Hallituksen esitys liikennekaareksi LVM076:00/2015 PDF	Comment on law proposition	Finland	23.5.2016	7.9.2020	<a href="https://api.hankeikkuna.fi/asiakirjat/ded3866c-62f8-4f2c-aac1-0878f90dfa9f/7268bdda-b7a9-4ebc-bff0-9c6211252d6d/LAU SUNTO_20160523131501.PDF">https://api.hankeikkuna.fi/asiakirjat/ded3866c-62f8-4f2c-aac1-0878f90dfa9f/7268bdda-b7a9-4ebc-bff0-9c6211252d6d/LAU SUNTO_20160523131501.PDF</a>
FI16	Taxifyn lausunto; Hallituksen esitys liikennekaareksi LVM076:00/2015 PDF	Comment on law proposition	Finland	23.5.2016	7.9.2020	<a href="https://api.hankeikkuna.fi/asiakirjat/ded3866c-62f8-4f2c-aac1-0878f90dfa9f/04dc9c18-83f0-460f-8680-bc9c15f6a530/LAUS UNTO_20160523101501.PDF">https://api.hankeikkuna.fi/asiakirjat/ded3866c-62f8-4f2c-aac1-0878f90dfa9f/04dc9c18-83f0-460f-8680-bc9c15f6a530/LAUS UNTO_20160523101501.PDF</a>

FI17	Valiokunnan mietintö LiVM 37/2018 vp koskien HE 86/2018	Committee report	Finland	31.1.2019	8.9.2020	<a href="https://www.eduskunta.fi/FI/vaski/Mietinto/Sivut/LiVM_37+2018.aspx">https://www.eduskunta.fi/FI/vaski/Mietinto/Sivut/LiVM_37+2018.aspx</a>
FI18	Hovioikeus: Uber-taksiliikenne laitonta – kyytien tuotot valtiolle	News article	Finland	21.9.2016	8.9.2020	<a href="https://yle.fi/uutiset/3-9181559">https://yle.fi/uutiset/3-9181559</a>
FI20	Taksiliikennelaki (kumottu)	Law	Finland	1.7.2007	10.9.2020	<a href="https://www.finlex.fi/fi/laki/ajantasa/kumottu/2007/20070217">https://www.finlex.fi/fi/laki/ajantasa/kumottu/2007/20070217</a>
FI21	Laki taksiliikennelain muuttamisesta	Law amendment	Finland	26.6.2009	10.9.2020	<a href="https://www.finlex.fi/fi/laki/alkup/2009/20090482">https://www.finlex.fi/fi/laki/alkup/2009/20090482</a>
FI22	Traficom - taksikuljettajan ajolupa	Web page	Finland	1.1.2020	10.9.2020	<a href="https://www.traficom.fi/fi/asioi-kanssamme/taksikuljettajan-ajolupa">https://www.traficom.fi/fi/asioi-kanssamme/taksikuljettajan-ajolupa</a>
FI24	Laki ajoneuvolain 25 ja 27 a §:n muuttamisesta	Law amendment	Finland	24.5.2017	10.9.2020	<a href="https://www.finlex.fi/fi/laki/alkup/2017/20170321">https://www.finlex.fi/fi/laki/alkup/2017/20170321</a>
FI26	Uberin lausunto: LVM025:00/2019	Comment on law proposition	Finland	8.7.2020	10.9.2020	<a href="https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/01b7e871-e680-43b2-b47e-0114f24b93fa/LAUSUNTO_20200708122455.PDF">https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/01b7e871-e680-43b2-b47e-0114f24b93fa/LAUSUNTO_20200708122455.PDF</a>
FI27	ITS Finland ry lausunto LVM025:00/2019	Comment on law proposition	Finland	6.7.2020	16.9.2020	<a href="https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/6da3fe00-8a21-4692-ab62-2c1944cb75d8/LAUSUNTO_20200706092744.PDF">https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/6da3fe00-8a21-4692-ab62-2c1944cb75d8/LAUSUNTO_20200706092744.PDF</a>
FI28	Eworks Oy lausunto LVM025:00/2019	Comment on law proposition	Finland	1.7.2020	16.9.2020	<a href="https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/e14e6b50-1852-446e-b26b-a72666a2fe12/LAUSUNTO_20200706081154.PDF">https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/e14e6b50-1852-446e-b26b-a72666a2fe12/LAUSUNTO_20200706081154.PDF</a>
FI29	Uberin arviomuistio: LVM025:00/2019	Comment on law proposition	Finland	21.2.2020	16.9.2020	<a href="https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/0d59b1db-070b-4bbb-a7cb-">https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/0d59b1db-070b-4bbb-a7cb-</a>

						<a href="#">fad163416ab5/LAUS UNTO_20200423060638.PDF</a>
FI30	Ewooks Oy arviomuistio LVM025:00/2019		Finland	9.2.2020	16.9.2020	<a href="https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/5980b990-8dee-44a8-9f52-39ab584f09d5/LAUS UNTO_20200423055510.PDF">https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/5980b990-8dee-44a8-9f52-39ab584f09d5/LAUS UNTO_20200423055510.PDF</a>
FI32	Uber ohjeita matkustajille	Documentation	Finland	29.9.2020	29.9.2020	<a href="https://help.uber.com/fi-Fi/riders/section/lis%C3%A4%C3%A4?nodeId=6477a37b-3faa-42b0-8b01-677bc61d3ea4">https://help.uber.com/fi-Fi/riders/section/lis%C3%A4%C3%A4?nodeId=6477a37b-3faa-42b0-8b01-677bc61d3ea4</a>
FI33	Taksiliitto: Poliisi selvittelee syyttäjän kanssa nyt sitä, syyllistyykö Uber avunantorikoksiin	News article	Finland	2.1.2017	29.9.2020	<a href="https://www.hs.fi/talous/art-2000005028880.html">https://www.hs.fi/talous/art-2000005028880.html</a>
FI34	Suomen taksamittarisääntelyn monitulkintaisuus	Report	Finland	1.10.2020	1.10.2020	<a href="https://interact.oulu.fi/site/files/2020-02/interact-2-2020.pdf">https://interact.oulu.fi/site/files/2020-02/interact-2-2020.pdf</a>
FI35	Arviomuistio Taksisääntelyn toimivuus lausuntoversio	Report	Finland	22.5.2020	2.10.2020	<a href="https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/825f7d48-7ba1-4914-9195-777b898d6e6c/KIRJE_20200522110243.PDF">https://api.hankeikkuna.fi/asiakirjat/c4077dd3-865e-4b76-af24-5f945361ef18/825f7d48-7ba1-4914-9195-777b898d6e6c/KIRJE_20200522110243.PDF</a>

## Appendix 2

ID	Argument	Argument location (section)	Argument class (Kaganer et al. (2010))	Proposal entry location	In proposal	Remark	Law proposal
A01	Digitalization improves the reachability of the transportation services	p1 (1.1)	Normative - transformation	p7 (1)	Yes	Proposal	2016
A02	Uber has been downloaded over 100000 Finnish persons. UberPOP has tens of thousands users in Helsinki area.	p2 (1.3)	Diffusion - end user		No	Not found	2016
A03	Uber operates in 400 cities, 69 countries and 22 EU Member States. Billion rides was reached end of 2015. Five million rides pers day. One million drivers world wide.	p2 (1.3)	Diffusion - organizational		No	Not found	2016
A04	Productivity of taxi services increases	p3 (2.1)	Value - business - rationale	p108 (4.1.4)	Yes	Proposal	2016
A05	Better utilization of private vehicles and decrease the need to own a a car and parking space requirements, refer to a two blogs about cars being parked 95% of time	p3 (2.2)	Implementation - successes	p109 (4.1.4)	Yes	Proposal	2016
A06	Taxis and	p3	Implementation	p99 (4.1.2)	Yes	Proposal	2016

	ride-sharing can co-exist, refer to American Public Transit Association report	(2.3)	- challenges				
A07	Removal of license quotas improves employment and decreases traffic congestion	p4 (3.1)	Normative - transformation	p9 (1)	Yes	Proposal	2016
A08	Removing the price ceiling improves the reliability of transportation	p4 (3.2)	Normative - transformation	p98 (4.1.2)	Yes	Proposal	2016
A09	Technology neutral measurement of the price of the journey	p4 (3.3)	Value - business - rationale	p101 (4.1.2)	Yes	Proposal	2016
A10	New employment options and economic growth	p5 (4.1)	Value - business - rationale	p119	Yes	Proposal	2016
A11	Service providers responsibility to enforce the driver's requirements in Section 3 clause 2 must be adhered	p6 (4.2)	Value - operational - rationale	p195 (2§)	Yes	Proposal	2016
A12	Advice removing the planned 10000€ annual income limit	p6 (4.3)	Normative - transformation		Yes	Removed	2016
A13	Law should obligate taxi entrepreneur to disclose tax and transaction information to authorities per request	p6 (4.4)	Value - operational - rationale		No	Not found	2016
A14	It should be easier to become a taxi entrepreneur	p6 (5.2)	Value - business - rationale	p2 (1)	Yes	Proposal	2016
A15	Taxis should be allowed to transport packages	p7 (5.2)	Value - business - rationale		No	Not found	2016
A16	Law should take into	p7 (6)	Value - business - rationale	p181	Yes	Proposal	2016



	account the requirements of different transportation services regarding the “essential information”						
A17	Service providers should be able to put restrictions and rules for accessing their ride data	p8 (6)	Value - business - rationale	p153	Yes, partially	Partially in proposal and law. Any discrimination was prohibited but fees could be charged	2016
A18	Law should clearly state that information sharing does not require to disclose personal information, trade secrets or sensitive technical information	p8 (6)	Value - business - rationale	p181, p176	Yes	Proposal	2016
A19	Too wide information sharing obligations might create barriers of entry due to development costs	p8 (6)	Value - financial - rationale	p176	No	Estimated that the required changes would not represent significant costs compared to dispatching service providers revenue	2016
A20	Technology neutral measurement of the price of the journey	p1	Normative - transformation	p18	Yes	Proposal	2018
A21	Technology helps tourists and improves overall consumer safety	p2	Implementation - successes	p16	Yes	Proposal	2018
A22	Lower the barrier of entry for new drivers	p2	Value - business - rationale		No	Not found	2018
A23	Improve driver’s ability to use multihoming, refer to Finnish	p2	Value - business - rationale		No	Not found	2018

	Competition and Consumer Agency's comment						
A24	Physical taximeter would decrease the diversity of transportation services	p2	Normative - transformation	p18	Yes	Proposal	2018
A25	Regulation should focus on making sure the consumer knows how much the ride is going to cost instead of specific way of measurement	p2	System - functionality	p16	Yes, partially	Partially in proposal. Focus on letting the customer know the price beforehand but keep the taximeters as the reference level of measurement.	2018
A26	Uber is not a taximeter, refer to UK court decision	p3	Regulative - compliance	p16	Yes	Proposal. EU directive 2014/32/EU does not prevent using other devices to measure price in transportation services	2018
A27	List of features why Uber application is more advanced than traditional taximeter	p3	System - functionality	p17	Yes, partially	Partially in proposal	2018
A28	Uber's application benefits for consumer, refer to UK court decision	p3	Regulative - compliance		No	Not found	2018
A29	Description of how Uber's application measures length and duration of the ride	p4-5	System - functionality		No	Not found	2018
A30	Uber's application is reliable and accurate, refer to 1) NCWM regulation in United States	p5	Regulative - compliance		No	Not found	2018

	and 2) Certificate of Approval from the California Type Evaluation Program						
A31	Consumer safety should be investigated especially in traditional taxi services and transportation of special groups.	p2 (3.)	Normative - moral		No	Not found	2020a
A32	Consumer protection and safety of passengers must be ensured	p2 (4.)	Normative - transformation	p23 (3)	Yes	Proposal	2020a
A33	Estonian taxi regulation that protects consumer and at the same time enables new technology	p2 (4.)	Value - business - success story	p49, p50, p51 (5.2)	Yes	Proposal	2020a
A34	Law should recognize the difference between hailing a taxi from street and pre- ordering it	p2 (4.), p7 (20.)	Normative - transformation	p28 (3), p64 (152§)	Yes	Proposal, law	2020a
A35	Uber technology ensures safety e.g. by warning about bike lanes	p2 (4.)	System - functionality		No	Not found	2020a
A36	Extra educational requirements should be targeted for drivers who use vehicles equipped for transporting special groups	p3 (5.), p3 (6.), p11 (37.), p11 (38.)	System - functionality	p23 (3)	Yes	Proposal. Partially in law. Also entrepreneurs education would be introduced.	2020a
A37	Entering the market should not be tightened with additional license	p3 (5.)	Value - business - rationale	p74 (18§)	No	Not found. Additional license requirements proposed	2020a

	requirements						
A38	Uber ensures safety e.g. evaluation and feedback by users themselves	p3 (5.)	System - functionality		No	Not found	2020a
A39	Field monitoring should be targeted to sectors and providers based on feedback and complaints.	p4 (8.)	Value - business - rationale		Yes, partially	Partially in proposal, Partially in law. Field monitoring would mainly be targeted to curriculums for entrepreneurs and special groups	2020a
A40	Law should target potential extra requirements only for rides hailed from street	p4 (9.), p7 (20.), p10 (34.), p12 (44.)	Value - business - rationale	p28 (3), p64 (152§)	Yes	Proposal, law	2020a
A41	Survey results provide correct overview about the availability of taxi services	p4 (11.)	Normative - moral		No	Not found	2020a
A42	Officials should investigate the availability on more accurate level and think about municipalities role in buying complementary taxi services	p4 (12.)	Normative - transformation	p23 (3)	Yes	Proposal	2020a
A43	Data driven decision making should use only aggregated data in order to protect privacy and competitive advantages	p5 (13.)	System - functionality	p55 (15a§)	Yes	Proposal, law	2020a
A44	Data collection for officials should be light weight as possible. New obligation may harm	p5 (13.)	Value - business - rationale		No	Not found	2020a

	small entrepreneurs significantly.						
A45	Due to the time period the effects of the transportation law reform cannot be evaluated fully yet. New operation models may still develop to remote areas.	p5 (14.), p5 (15.), p5 (16.)	Normative - transformation		No	Not found	2020a
A46	Taxi companies ability to agree on on call duties pose risks of decreasing competition.	p5 (17.)	Value - business - rationale	p12 (2.2), p47 (5.1.4)	Yes	Proposal	2020a
A47	Kela should change the way it buys taxi services	p6 (18.)	Normative - transformation	p5 (1.1)	Yes	Proposal	2020a
A48	Municipalities should consider outsourcing the transportation services to fix availability issues in remote areas	p6 (18.)	Normative - transformation	p25 (4.1)	Yes	Proposal	2020a
A49	City of Innisfil has bought the public transportation from Uber. Finland should consider similar solution.	p6 (18.)	Implementation - successes		No	Not found	2020a
A50	Lowering insurance costs would lower the threshold to enter the taxi market	p6 (18.)	Value - financial - rationale		No	Not found	2020a
A51	Digital services such as Uber provide a good way to	p6 (19.), p7 (21.)	Implementation - successes		Yes, partially	Partially in proposal	2020a

	decrease black market. All payments are electronic and no cash is involved. All Uber drivers are required taxi license and taxi driver license.						
A52	More accurate definition of minimum information that has to be supplied for officials would help current situation	p7 (22.)	System - functionality	p14 (2.3), p54 (15a§)	Yes	Proposal, law	2020a
A53	Supplying information for officials should utilize technology instead of being manual labor	p8 (24.)	Normative - transformation	p14 (2.3), p16 (2.3)	Yes	Proposal, law	2020a
A54	Obligation to use physical taximeter would decrease competition, refer to Competition and Consumer Agency	p8 (25.)	Value - business - rationale		No	Not found	2020a
A55	Prerequisites for application based service providers should not be hindered in order to ensure healthy competition and market	p8 (25.)	Value - business - rationale		No	Not found	2020a
A56	Possible taxi sign should be low cost, easy to install and detachable	p8 (26.)	System - configuration	p29 (4.1.3)	Yes	Proposal, law	2020a
A57	Using external identifiers have unlikely effect on monitoring the industry. Monitoring should be	p8 (26.)	Normative - transformation		No	Not found	2020a

	based on technology such as identifying the registration plate.						
A58	Black market problems should be addressed with digital application	p9 (27.)	Normative - transformation	p14 (2.3)	Yes, partially	Partially in proposal, Partially in law. Not digital application but in electronic format.	2020a
A59	Instead of regulation applications on precise level the officials should concentrate on tax information collected from dispatching services	p9 (27.)	System - functionality	p1	Yes, partially	Partially in proposal, Partially in law	2020a
A60	Uber has transformed to pricing rides in advance in Finland. This offers the greatest possible transparency for consumer and is an example how technology improves user experience.	p9 (28.)	System - functionality	p30 (4.1.4)	Yes	Proposal, law	2020a
A61	Statistic Center's statistics on pricing development is not accurate and does not take into account lower prices options.	p9 (29.)	Normative - transformation		No	Not found	2020a
A62	The way statistics are collected today does not fit in monitoring the overall status of developing market	p9 (29.)	Normative - transformation		No	Not found	2020a

A63	Best possible transparency for consumer is achieved by giving the total price of the ride in advance instead of the price of example ride	p10 (31.), p10 (33.)	System - functionality		No	Not found	2020a
A64	Pricing structure should not be regulated	p10 (32.)	Value - business - rationale	p1	Yes, partially	Partially in proposal, Partially in law	2020a
A65	Pricing regulation should be considered only on rides hailed from street	p10 (34.)	Value - business - rationale	p1	Yes	Proposal, law	2020a
A66	In Uber's service the technology helps the driver with choosing proficient route, helps with communication and giving feedback for both drivers and customers.	p10-11 (36.)	System - functionality		No	Not found	2020a
A67	There is no need for testing the driver's expertise in practise. Companies and dispatching services are incentivized enough to take care of the service quality	p11 (39.)	Value - operational - rationale		No	Not found	2020a
A68	Tightening the taxi driver exam requirements would increase unemployment especially among immigrants and long-term unemployed	p11 (40.)	Normative - transformation		No	Not found. Proposed additional entrepreneur course	2020a



A69	Taxi driver exam's language skill requirements should not be increased	p11 (40.)	System - functionality		No	Not found	2020a
A70	The share of foreign language speaking people of the total population in capital area is projected to increase to 23% until 2030	p11 (40.)	Diffusion - end user		No	Not found	2020a
A71	Driving Uber has offered opportunities for social climbing and job opportunities especially among immigrants. Reference to Uber's driver's unemployment background in Portugal, Belgium and France.	p11 (40.)	Implementation - successes		No	Not found	2020a
A72	Curriculum for drivers would increase the threshold to enter the market. Officials should investigate the quality of transportation more carefully before adding new obligations.	p12 (41.), p12 (43.)	Value - business - rationale		No	Not found	2020a
A73	Costs would increase significantly if companies would need to ensure the education of drivers on a level specified before 2018 reform and	p12 (42.)	Value - business - rationale		No	Not found	2020a

	would create artificial barrier to use multihoming.						
A74	Uber drivers are not required to use only Uber for getting rides. Regulation should support many kinds of working forms and their coupling	p13 (45.)	Regulative - compliance		No	Not found	2020a
A75	Essential prerequisites for working competition and market development is making sure multihoming is supported. Monitoring the market should focus to this too.	p13 (46.)	Value - business - rationale		No	Not found	2020a
A76	There is no need for clarifying the fault and compensation regulation	p13 (48.)	Regulative - compliance		No	Not found	2020a
A77	There is no need for specific multihoming regulation because current legislation allows it already. Monitoring will ensure this will be possible in practice.	p13 (49.)	Regulative - compliance		No	Not found	2020a
A78	The pricing functionality of Uber's platform is aligned with government proposal	p1	Regulative - compliance		Unknown		2020b
A79	There are situations that justify changing the price of the	p1	Normative - moral		Unknown		2020b

	journey even if it is agreed in advance						
A80	Current law proposal does not take into account situations where customer changes e.g. destination during journey. In cases with external changes emerge, service provider should be able to change a price.	p1	Value - operational - rationale		Unknown		2020b
A81	Mobility applications give opportunity to wider group of people to use transportation services	p2	Normative - transformation		Unknown		2020b
A82	Information sharing requirements should take into account individual user's interest and privacy	p2	Normative - moral		Unknown		2020b
A83	Information sharing should require only aggregated and periodical data from service providers	p2	System - functionality		Unknown		2020b
A84	Information sharing requirements should adhere GDPR regulation	p2	Regulative - compliance		Unknown		2020b